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# FINANCIAL TIMES

Europe's Business Newspaper

MONDAY AUGUST 22 1994

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## Israeli shares fall 10% over fears of tax on profits

Israel's stock market slid almost 10 per cent yesterday amid frantic trading by investors nervous about a proposed tax on share profits. At the close of trading the benchmark Mishkan index of the top 100 blue chip companies had fallen 12.22 points, or 9.33 per cent, to 183.18. Before yesterday the market had fallen 25 per cent this year because of poor company results, higher-than-expected inflation, interest rate rises and a clean-up campaign by the Securities Authority. Page 13; Markets this week, Page 17; Emerging markets, Page 19; World stocks, Page 20

**China tightens credit:** China is to clamp down on lending for capital spending following an alarming 73 per cent rise in fixed asset investment in July compared with the same month last year. Page 12

**Lac's last defence removed:** Canadian mining group Lac Minerals, which is the target of two unwelcome takeover offers, was ordered by the Ontario Securities Commission to dissolve its protection plan, or poison pill, if either bid is accepted by its shareholders. Page 13

**Wal-Mart to open in Hong Kong:** US discount store group Wal-Mart Stores, the world's biggest retailer, is to open stores in Hong Kong and China. Page 15

**Moscow warns on new MDM offerings:** The Russian government warned of the dangers facing potential investors after the MDM investment fund, which had appeared on the verge of collapse, said it would offer new "MDM tickets" for sale. Page 12

**US toughens stance on Cuba:** The Clinton administration announced a tighter trade embargo against Cuba and held out the possibility of a full blockade. Page 14; Fretting about Fidel Castro, Page 2; Editorial Comment, Page 11

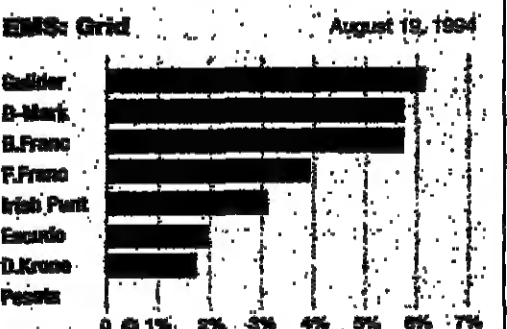
**Bosnian Muslims flee Bihac:** Tens of thousands of refugees streamed out of Bihac, the Muslim pocket in north-western Bosnia, as UN officials said Bosnian government troops had overrun it. Page 2

**British Coal warns of Sizewell C threat:** British Coal says Sizewell C nuclear power station, planned for the Suffolk coast, would displace up to 3m tonnes of coal a year and expresses doubts about the nuclear industry's ability to deliver electricity at the costs it promises. Page 5

**Cementos Mexicanos buys Panama plant:** Mexican cement company Cementos Mexicanos extended its presence in Latin America by buying the Panamanian plant Cementos Bayano for \$57.7m. Page 14

**Malayan Bank 40% ahead:** Malayan Bank, Malaysia's biggest financial institution, reported annual pre-tax profits up 46 per cent to M\$1.18bn (\$451m), helped by an expanded loan base. Page 14

**European Monetary System:** Against a backdrop of generalised D-Mark strength, bolstered by upgraded growth forecasts and firm interest rates, the EMS grid was little changed. The spread between strongest and weakest currency was maintained, with only the Irish punt and French franc swooping places. Currencies, Page 25



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

**Savoy denies Forte agreement:** Savoy Hotel denied a report that it had reached an agreement with rival hotel group Forte, which has fought for 13 years to acquire it. Savoy group's properties include London hotels the Savoy, Claridge's and the Connaught. Page 14

**Women lead race for top posts:** Women prove more successful than men when they are competing for senior management positions, statistics released by a British executive recruitment consultancy show. Page 5

**IRA man convicted:** IRA sympathiser Sean McNulty, 26, from North Shields, Tyne and Wear, was convicted in London of bombing oil and gas targets in north-east England last year. He will be sentenced today. Ceasefire speculation, Page 5

**Profits triple at SSAB:** Interim profits at Swedish steel group SSAB tripled after financial items to SEK1.05bn (\$133.3m), helped by price rises and higher volumes. Page 15

**Servisair plans October float:** Servisair, former British & Commonwealth subsidiary and Europe's largest aircraft and passenger handling company, is to come to the London stock market in October valued at more than \$50m (\$77.5m). Page 14

**Body Shop International:** cosmetics group whose watchword is environmental soundness, defended itself against reports which raised questions about its green credibility and business ethics. Page 5

Austria	Sch22	Green	D830	Lux	LP85	Qatar	QR13.00
Belgium	Dfl1.250	Hong Kong	HK\$10	Malta	LM\$2.00	Singapore	S\$1.30
Denmark	DKr5	India	Rs10	Morocco	MA\$15	South Africa	R12.00
France	Ffr100	Indonesia	Rp1000	Nepal	Nr\$100	Spain	Pes225
Germany	DM1.00	Italy	Lira1000	Nigeria	Nn\$100	Sweden	Skr16
Greece	Dr100	Japan	Yen100	Philippines	Ph\$100	Switzerland	Sfr75
Ireland	Ir£1	Korea	Won100	Saudi Arabia	Sr\$100	Taiwan	T\$1.00
Italy	Lira1000	Malaysia	Mal\$100	Sri Lanka	Lr\$100	Thailand	Th\$100
Lebanon	Ll\$1000	Mexico	Mex\$100	Turkey	TL\$100	United Arab Emirates	AED1.00
Netherlands	fl1.00	New Zealand	NZ\$100	Yemen	Yr\$100		
Portugal	Pt\$200	Singapore	S\$1.30				
Spain	Pes225	Taiwan	T\$1.00				
Sweden	Skr16	Thailand	Th\$100				
Switzerland	Sfr75	United Arab Emirates	AED1.00				
Taiwan	T\$1.00	Yemen	Yr\$100				
Thailand	Th\$100						
United Arab Emirates	AED1.00						
Yemen	Yr\$100						

## US court takes a stab at the Swiss army knife

By Ian Rodger in Zurich

Where does the Swiss army knife come from? According to a US appeal court judgment, the knife of many parts can come from any country, since the words "Swiss army" describe a type of knife and are not "location-specific".

The ruling has angered Swiss producers of the genuine article, who are under attack from cheap red Chinese imitations and claim that there has been trespassing on their intellectual property. "The Americans make such a fuss about protecting consumers and intellectual property rights, and then they do this. We were very upset," said Maurice Cachot, chief executive of Wenger, one of the two companies approved to supply the pocket knives to the Swiss army.

To some extent, even the knives made in Switzerland for consumer markets are not the real thing. The Swiss army, which first commissioned the production of knives for the troops in 1856, specifies that there be no point on the aluminium cover of the models it buys. Cork screws are not allowed either. Wenger and Victorinox, the other Swiss maker, say that they are not particularly worried about the cheap Chinese imitations - even though the imitations sell for one-fifth or less of the real thing and outsell the Swiss products in the US by nearly three to one.

The Swiss makers say the Chinese knives are obviously of inferior quality. The US appeals court agrees, describing them as "inexpensive and shoddy". The Swiss makers' deeper concern is that the judgment is a licence to precision manufacturers in Japan, Germany, Britain and other industrialised countries, which could do a better job knocking off the Swiss article.

Also, there is the issue of consumer information. A survey commissioned by the Swiss makers said more than half of Americans believe that when they buy a red, multi-gadget pocket knife they are buying a Swiss product. And that was even before the Chinese set alarms ringing in the Alps two years ago by painting the Swiss white cross symbol and the words "Swiss army" on their exports to the US.

## AT&T drive to block telecoms competition

By Andrew Adonis

AT&T, the largest US telecommunications company, is campaigning to hold back competition in the lucrative transatlantic telecoms market which could significantly cut prices. The competition will come from so-called international simple resale, under which operators lease international lines and connect them to the public networks on both sides of the Atlantic. The scheme is expected to yield big cuts in transatlantic call prices at the expense of established carriers, notably competitors AT&T and British Telecom.

AT&T is urging the Federal Communications Commission, the US telecoms regulator, not to allow the new form of competition, arguing that the British telecoms market is not as open to competitors as the US market. The onset of competition from the resellers is one reason why BT is considering large pre-emptive price cuts and may slash its transatlantic prices this autumn, according to leading City of London analysts.



A Zairean paratrooper fires into the air to discourage Rwandan refugees from crossing the Euzizi bridge into Zaire yesterday after the closure of the border. The refugees, mainly Hutus, fear reprisals from Rwanda's Tutsi-led government. Panic as French quit Rwanda, Page 4

It had been widely assumed that competition on the transatlantic routes would open up after the UK's decision last month to license AT&T. This followed the US regulatory authorities' approval of BT's \$5.3bn (\$3.4bn) alliance with MCI, the second largest US operator. The two companies planning to offer the cheap resale services, MFS and ACC, have already secured licences to operate in the UK. A request to offer international simple resale from the US is before the Federal Communications Commission.

As far as BT's response to price competition is concerned, Mr Laurence Heyworth, telecoms analyst at Robert Fleming, said it appeared increasingly likely that BT would make "massive price cuts on international calls" later this year, with reductions of up to half on its US-UK prices. BT is obliged by Ofcom, the UK telecoms regulator, to cut charges by about \$40m before the end of the year in any event.

## Mexico's 'clean' polls draw criticism

By Stephen Fidler and Damien Fraser in Mexico City

Votes were cast yesterday in Mexico's presidential and congressional elections with the candidate for the ruling Institutional Revolutionary party (PRI), Mr Ernesto Zedillo, the strong favourite to win the contest for president. However, three candidates went into the elections claiming they had a chance of victory. Although the elections are widely expected to be the cleanest in Mexican history - with more than 81,600 domestic observers and more than 900 foreign visitors watching the vote - there remained scepticism that the elections would be truly fair.

Opinion polls showed Mr Diego Fernandez de Cevallos of the right-leaning National Action party in second place, and Mr Cuauhtémoc Cárdenas of the left-leaning party for Democratic Revolution (PRD) in third place. However, recent opinion polls, unpublished in Mexico, showed a late increase in support for the PRD candidate, particularly in Mexico City. Mr Cárdenas last week called on supporters to gather in town squares around the country at midday today, and these are expected to turn to protest if the PRD candidate cries foul. Already, observers have pointed to big discrepancies in campaign spending between the PRI and the other parties, and an alleged bias in television and press reporting. There has also been criticism that complaints about breaches in the electoral law, most against the ruling party, have not been processed quickly enough.

The rebel Zapatista Army for National Liberation - which launched a peasant revolt in the southern state of Chiapas at the beginning of the year - said it

## Conservatives in final drive to defeat Clinton crime bill

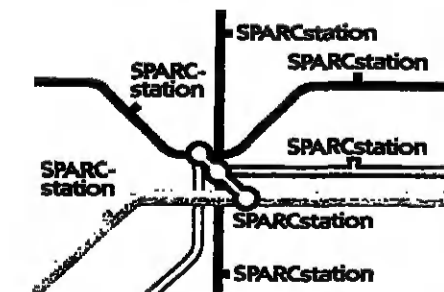
By Nancy Dunne in Washington

Conservative Republicans and gun lobbyists yesterday mounted a final effort to defeat a crime bill with a provision banning assault weapons and to deny President Bill Clinton a victory he desperately needs to rescue his wobbling presidency. Mr Leon Panetta, the White House chief of staff, was unable to predict victory in a vote scheduled for late afternoon. House Democrats and moderate Republicans negotiated frantically through Saturday night, the result being a bill that Mr Panetta contended was an improvement on the one which failed on August 11, angering Mr Clinton.

To meet the demands of Republican moderates, the Democrats agreed to a compromise bill that would cut \$3.3bn from a \$38.5bn bill and eliminate or consolidate many of the "crime prevention" social programmes favoured by Mr Clinton. The proposed legislation retained the tougher sentencing components, which the administration had hoped would attract conservatives. Funds to provide incentives so that local governments can hire 100,000 local police - a Clinton campaign promise - were kept, and local governments were given a greater say on how the funds would be spent. Negotiators agreed to drop a youth jobs training programme which had been favoured by the president.

Democrats and Republican negotiators laboured on through the weekend as two threats to the legislation emerged. A rival bill was introduced by the conservatives and gun lobby. It contained no social programmes and excluded the ban on assault weapons. Mr Newt Gingrich, the combative conservative Republican leader, supported this alternative, citing its stronger capital punishment provisions. The Clinton compromise, supported by Republican moderates, was also threatened by loss of support by House liberals - members of the black caucus in particular - who were unhappy about the loss of the social programmes, which had initially attracted their support to the bill. Congress has been trying to pass a major crime bill for six years. Past legislation addressing the US crime problem failed to stem violence, despite an imprisonment rate that exceeds every other industrialised country. This crime bill was supposed to be different because it provided for prevention programmes, which had bought liberal support; increased funds for prisons and police; and added a popular gun control measure.

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NEWS: INTERNATIONAL

Latvia in crisis as troop deadline nears

Ten days before the last Russian troops are due to leave the tiny Baltic state of Latvia, the country is in the grip of an acute political crisis, with no government and little chance of this changing soon, Reuters reports from Riga.

Efforts by President Guntis Ulmanis to patch together a formula to end government paralysis collapsed on August 18 when parliament withheld endorsement of a conservative minority team.

Political observers said the 54-year-old president was unlikely to call early elections. But he was also not likely to be able to get a permanent government in place this month.

Russia's Itar-Tass news agency said Ulmanis would probably ask Latvian Vaino, the largest parliament faction, to form a government after a political crisis triggered when the Farmers' Union abandoned a previous coalition.

But the agency said other parties were likely to set conditions for the return of the party, which backs free market economics, privatisation and tough monetary policies.

The political crisis has hit Latvia as it seeks to appease the international community and Russia over a controversial citizenship law and looks anxiously to the final stage of a Russian military withdrawal.

In parallel operations signalling the end of the Russian military presence in the Baltics, Moscow has undertaken to remove all its remaining 7,000 fighting men from Latvia and its 2,000 from Estonia by August 31.

In spite of an institutionalised mistrust of Russian intentions, few in Latvia doubt Moscow will honour that commitment.

But a deal to let the Russian early warning station at Sigulda function for another four years and a concession to give residency rights to thousands of ethnic Russian army pensioners still rankles with many in the Latvian political establishment.

Ethnic Russians, most of whom arrived after the Soviet Union annexed Latvia in 1940, make up 33 per cent of the 2.6m population.

Reaching a decision about their future acceptable to Russia and the international community while reviving Latvian national identity has been a challenge for post-independence governments.

Russian President Boris Yeltsin has not reneged on the troop withdrawal commitment, but he has hinted at some form of economic retaliation.

In an attempt to resolve the government crisis, Ulmanis asked Andrejs Krastins, a member of the National Conservative Party (LNKK), to form a new government.

But parliament refused to approve his team, in part because of fears it might embark on nationalist policies that would upset the Russians further at a crucial moment.

The LNKK, which has taken a tough line on ties with Moscow and on the rights of the Russian-speaking population, has only 15 seats in the 100-seat parliament and was trying to form a government without Latvian support.

Liberals said a LNKK government would seek to undo agreement on Russian troop withdrawals, on citizens' rights and on a free trade accord with the European Union reached by the old government of Valdis Birkavs.

But others in Latvia, where suspicions of Russian mischief run deep, say it was necessary to have a strong leadership in place in the run-up to August 31 and the immediate aftermath.

Troubled skies cause blips in Athens

Radar worries and a traffic controllers' row are raising tempers, writes Kerin Hope

So incensed were some Greek travellers at the delays caused by an air traffic controllers' go-slow that they pushed aside the security guards and staged an impromptu sit-in earlier this month on the runway at Athens airport.

Since the start of the peak tourist season in July, both charter and scheduled flights leaving the country's airports have been delayed by up to three hours. Conditions are worst in the afternoon and at weekends, when demand is highest for landing slots at Athens and at important tourist resorts such as Rhodes and Heraklion on Crete.

Already under great work pressure, Greece's 380 air traffic controllers have added to the summer temperatures by demanding a substantial real pay rise, claiming they should be exempted from public sector wage restraints, which restrict increases to 10 per cent this year to match the anticipated inflation rate.

"We get seniority rises at the same

rate as other Greek civil servants with university degrees, but nothing to compensate for specialised skills, or for doing a stressful job with inadequate equipment," says Mr Panayiotis Tsoukalis, chairman of the controllers' union. "The result is a higher staff attrition rate than anywhere else in the public sector."

Greece's transport minister, Mr Theodore Pangalos, agrees in principle that the air traffic controllers are entitled to a higher salary scale, and more training for what is becoming a steadily more demanding job. But he wants the union to agree in writing to postpone its pay demand until next year. The controllers decided to reject Mr Pangalos's terms just as the August rush of charter flights started. The result is that, with tourists' arrivals forecast to rise by about 10 per cent this year to almost 11m, pressure on the country's outdated air traffic control system has never been greater.

"There is a crush of traffic across

Greek airspace in summer, with the number of flights more than doubling to 1,500 a day," says Mr George Stamoulidis, a senior civil aviation official. "But we still don't have the facilities to ensure smooth flow management."

Athens airport is among Europe's busiest, handling more than 10m passengers a year. Yet it has only one runway and its air traffic control centre relies on a short-range radar system dating from the 1960s. Outside its 40-mile range, the air traffic controllers rely on talking to pilots over a VHF radio link.

Says a pilot for a charter operator: "After you've been cruising quietly across Europe, Greek airspace seems chaotic. Sometimes the frequencies are so busy you don't get a chance to give your position before making the approach to Athens."

A new approach radar for the Athens area was due to start operating in mid-1992. It was intended as the first stage of a \$48m (\$28.7m) turnkey

project, awarded in 1991 to Thomson-CSF, the French electronics manufacturer, to update Greece's air traffic control system to international standards.

The new system would immediately increase Greece's air space capacity by at least 15 per cent by providing full radar coverage. Traffic from important Greek airports would move faster, as aircraft flying at the same altitude and speed would no longer have to be kept 60 miles apart to ensure a 10-minute safety margin between flights.

Much of the Thomson equipment is now in place, but the new Athens approach radar is not yet working. One senior Greek civil aviation official says: "You expect delays on this kind of project, mainly because of local topography. But the problems have gone on so long, we're beginning to think Thomson's original specifications for the project were incorrect."

Thomson says the radar is situated in a "difficult environment" at Athens airport, between a mountain and the sea, with several islands nearby. It maintains that the system operates to international standards and is being specially modified to satisfy the demands of Greek air traffic controllers.

The controllers complain that the radar, which gives a computer-controlled image of an aircraft and its flight path, cannot be used in its present form. Says one: "The screen gives you wrong information - two aircraft when there's only one, or no aircraft at all in one area when you already know it's there. It's not reliable, so we switched it off."

If the radar's problems cannot be sorted out by the end of the year, the government may revoke the contract with Thomson and choose another system, civil aviation officials say. In the meantime, tourists flying home from Athens can resign themselves to a long wait on the tarmac.

Coalition tries to defuse Italian bank row

By Andrew Hill in Milan

Members of Italy's governing coalition tried over the weekend to play down the significance of a dispute between the country's transport minister and the central bank over a planned merger between two banks.

Mr Paolo Fiori, the transport minister, publicly criticised the Bank of Italy last week for allegedly ordering the Banca Nazionale delle Comunicazioni to hold a board meeting next Saturday to consider a merger with Istituto Bancario San Paolo di Torino, one of Italy's biggest banks.

BNC is controlled by the Ferruccio delio Stato, the Italian state railway. Mr Fiori and fellow members of the right-wing National Alliance believe the interests of the railways would be better served if BNC accepted an offer from a smaller bank, Cassa di Risparmio in Bologna.

The Bank of Italy has refused to discuss Mr Fiori's comments, although bank officials quoted in the Italian press over the weekend strongly denied separate allegations by other members of the National Alliance that the central bank had misused secret funds for promotion and consultancy work.

The National Alliance was criticised by the opposition and by coalition allies over the weekend. Mr Gianni Letta, chief of staff of Mr Silvio Berlusconi, Italy's prime minister, came to the defence of the Bank of Italy, declaring that "respect for the independence of the central bank is a sacred and inviolable principle".

But senior members of the National Alliance denied that the attacks on the central bank represented a party line, while Mr Fiori's office said the minister's chief concern was the bank's attitude to the BNC offer.

The Bologna bank has not made a formal bid for BNC, and its directors only return from holiday today, but bankers say it plans to offer some £300m (£154m) in cash for a majority stake, whereas the San Paolo merger would be based on an exchange of shares.

Discussion of BNC's future, which began in March, was suspended by the government earlier this month to allow alternatives to be considered, but Mr Fiori has accused the central bank of "incredible behaviour" and trying to force acceptance of the San Paolo bid with a "summer holiday bluff".

Meanwhile, Italy's coalition parties are jockeying for political advantage ahead of Friday's cabinet meeting, the first since the Bank of Italy was forced to raise interest rates 10 days ago.

Milosevic struggles to pluck Bosnian thorn

The Bosnian Serbs' sticking power has surprised the Belgrade president according to Laura Silber

With an unprecedented tirade against Bosnian Serb leaders, Belgrade at the weekend began what it hopes will be a decisive push to seal an international peace plan for Bosnia and shift blame for the war.

But President Slobodan Milosevic of Serbia is finding his task more difficult than he had calculated. An aide close to Mr Milosevic confided that "we did not expect it to be so hard to get rid of them."

"Them" are the Bosnian Serbs, once equipped and nurtured by Belgrade and now a

problem as Serbia struggles to escape from the west's crippling economic sanctions.

Mr Milosevic had begun preparing the ground for a split with Belgrade's Serb brethren in Bosnia for a year, but he has ended up having to rush the job. When the international community set a deadline last month for Bosnian Serb acceptance of its plan for a partitioning of Bosnia and the Bosnian Serbs rejected it, Belgrade ran out of time and imposed a land embargo against the Bosnian Serbs on August 4.

Still, the Bosnian Serbs

remain defiant. While playing down the conflict with Serbia, Mr Radovan Karadzic, the Bosnian Serb leader, insists on going ahead with plans to hold a referendum next Sunday on the proposed partition map. It requires the Bosnian Serbs to hand over one third of the 70 per cent of Bosnia they currently control and the referendum is highly unlikely to approve it.

Thus, Mr Milosevic was likely to have been pleased yesterday when the already-isolated Bosnian Serb leaders suffered another setback when rebel Serb leaders from Croatia - in a move orchestrated by Belgrade - said the unification of their self-styled Serb states should be postponed until after the war.

That pronouncement fits neatly into a broader campaign taking shape in Serbia to destroy popular support for the Bosnian Serb leadership. In a fierce attack published at the weekend, a senior Serb figure accused Bosnian Serb leaders of corruption and of "repeatedly breaking their promises to halt the bombardment and agency of violence in Sarajevo".

For the first time, Belgrade accused the Bosnian Serb leadership of being implicated in atrocities against civilians.

In the newspaper interview Mr Zoran Djindjic, the president of rump Yugoslavia (Serbia and Montenegro) and a mouthpiece for Mr Milosevic, hinted that Mr Karadzic was involved in the kidnapping and suspected murder of 21 Muslim men - citizens of Yugoslavia - who were dragged off a train 18 months ago. He said the incident was aimed at drawing Yugoslavia into war.



Bosnian Serb soldiers on an anti-aircraft gun yesterday monitor Muslim positions

"We cannot allow three men in Pale (the Bosnian Serb mountain stronghold close to Sarajevo) to determine the fate of all Serbs," he said in reference to the political truce which rules the self-styled Serb mini-state within Bosnia.

Aides to Mr Milosevic hope that General Ratko Mladic, the Bosnian Serb commander, may be at odds with his leaders and may play a decisive role in bringing them to heel.

The accusations from Belgrade may also signal a local crackdown on suspected war criminals - another attempt to curry favour with the international community and win the easing of sanctions. They follow calls from the influential communist party, which counts among its leaders Mrs Mirjana Markovic, Mr Milosevic's wife, to bring suspects to trial, some of whom until recently were being doted upon by state-run television Serbia.

Reports say Mr Milosevic is poised to arrest Mr Zeljko Raznatovic, known by his alias of Arkan, a former MP and commander of the Tigers, a far-right paramilitary unit which is accused by Croats and Muslims of atrocities in Croatia and Bosnia, and Mr Vojislav Seselj, an MP who also commanded an ultra-nationalist paramilitary unit.

The interview with president Djindjic made clear Mr Milosevic's preoccupation with finding a scapegoat - his Bosnian Serb kin - in order to secure a positive role in Serbian history in a land obsessed with its past. His long preparation for the break with Mr Karadzic

involved the rekindling of historical divisions between Serbs - Communist Partisans and Royalists Chetniks in the Second World War - and Serbs from Bosnia and those from the former River Drina.

Mr Milosevic has resisted efforts to despatch international monitors to the Drina, Serbia's frontier with Bosnia, on the grounds that this would expose him to criticism from opposition parties.

He may, however, be afraid of his own allies. Elected as a nationalist in 1987, the current wisdom is that he has now turned his back on nationalism. But taking on Mr Karadzic in Bosnia is one thing. He believes it is too early to challenge nationalists within the ruling elite in Belgrade.

UN wrestles with global warming

By Bronwen Maddox in New York

Turning the ambitious aims of the 1992 Rio Earth Summit into reality is the task facing officials meeting today at the United Nations in Geneva.

Representatives from more than 100 countries will wrestle this week with curbing global warming, an issue dubbed at Rio. The most controversial point is whether to draw up international targets beyond the year 2000 for curbing emissions of gases thought to cause global warming.

"Rio was one of the fastest

international agreements on the environment that has ever been reached," said one observer at the Geneva preparations. "But some of the most important issues about how to implement it have been left until now."

This summer's heatwave in Europe has renewed interest in the threat of global warming, which scientists believe may follow a build-up of "greenhouse" gases such as carbon dioxide in the atmosphere.

Rio's framework convention on climate change, together with a separate treaty on protecting the diversity of species,

were the Earth Summit's most tangible achievements. But environmental groups such as Greenpeace have criticised the climate change convention for failing to address emissions beyond 2000.

Under the convention, industrialised countries have pledged to draw up plans to bring emissions of "greenhouse" gases back to 1990 levels in 2000, but make no commitments beyond that year. UK ministers have warned that UK emissions are likely to rise sharply after that.

The convention also asks developing countries to

improve energy efficiency. However, there is controversy about how those efforts should be funded. Signatories have agreed that funding should be channelled through the Global Environment Facility, a fund administered jointly by the UN and World Bank. But there is still disagreement over the criteria used to select projects, and the route through which payments should be made, including whether the money should be distributed by developed countries' governments.

Officials are under pressure to resolve issues before the UN conference in Berlin in March.

Tighter N-security planned

By John Thornhill in Moscow

Mr Bernd Schmidbauer, Germany's intelligence co-ordinator, will report to Bonn today on how to combat international plutonium smuggling, following a series of meetings with Russian security officials over the weekend.

Diplomats in Moscow suggested the initiative might lead to creation of a joint task force and increased financial aid to tackle the illegal trade. German authorities have uncovered several slushes of stolen plutonium in recent months.

Mr Schmidbauer said the talks had been conducted in an excellent climate and in total openness. "I believe we will achieve excellent joint results and good co-operation, and the questions which have been the subject of speculation can then be solved," he told German TV.

But tensions remained behind the smiles. Russian pride has been pricked by western criticism of lax security. Intelligence officials have continued to deny there is any convincing evidence that plutonium found on a recent Lufthansa flight from Moscow to Munich had been stolen from a

Russian plant. Any nuclear material carried on to that aircraft would have been detected by scanning equipment at Sheremetevo airport, they say.

German politicians, such as the foreign minister, Mr Klaus Kinkel, have backed plans to provide more funds to convert Russia's nuclear programme to more peaceful ends. Others have hinted at a tougher approach. Mr Theo Waigel, finance minister, was quoted in the German press as saying future financial assistance to Russia would be linked to co-operation in the fight against nuclear smuggling.

Sweden anxious for market verdict on budget plan

By Hugh Carnegie in Stockholm

Sweden's financial markets, which over the past two months have been in frenzied mood over the alarming state of the public finances, will today give their verdict on the latest proposals from the Social Democratic party for tackling the yawning budget deficit.

The package of tax rises and expenditure savings published by the Social Democrats on Friday evening were a direct response to market fears - expressed through the tumbling value of the Swedish krona and rising long-term interest rates - that the country's political party, champion of the mighty welfare state and likely winner of next month's election, was being dangerously vague about how it will deal with a public debt that amounts to approaching 100 per cent of gross national product and is still rising fast.

While the argument will rage on

until the election over whether the Social Democrats' SKr31bn (£5.06m) savings package goes far enough, one important principle at least now seems to have been established that unites both the opposition and the four right-centre parties of Prime Minister Carl Bildt's incumbent coalition.

It is that public debt must be stabilised by the end of the new government's four-year term in 1998 and that renewed inflation, historically the preferred Social Democratic way of getting out of financial trouble, must be avoided.

This helped win the Social Democratic package a positive - if guarded - initial response from Mr Björn Wahlroth, chief executive of the insurance group Skandia, who triggered much of the market turbulence in June when he announced Skandia would boycott government bonds until the political parties proposed a credible plan for dealing with public finances.

The gap in Sweden between opponents and supporters of the European Union is narrowing ahead of a referendum on November 13, an opinion poll published yesterday showed, Reuters reports from Stockholm.

The survey, published in the daily Göteborgs Posten, said support for a No vote had fallen by four percentage points from the previous poll to 41 per cent.

Support for Europe remained unchanged at 37 per cent, meaning the difference between the two camps was only four percentage points, the narrowest gap since April 1992.

Sweden is becoming more indecisive about whether to join the 12-member Union. The survey, conducted by the Sifo polling institute, showed the number of undecided voters had increased to 20 per cent in August from 18 per cent in the previous June poll.

Sweden hopes to join the Union along with Norway, Finland and Austria from January 1, 1995.

Mr Wahlroth said he would be reconsidering the boycott in the light of the Social Democratic proposals. "On the presumption that there is a broad majority in parliament to carry through strong measures, we will buy Swedish bonds again," he said.

But fierce debate over the extent and mix of measures needed to achieve the double goal of reducing the SKr200bn budget deficit and fostering a faltering economic recovery may yet continue to unsettle markets.

The first difference between the Social Democratic programme and that agreed by the government parties lies in scale.

The government parties have pro-

posed strengthening the budget by SKr101bn by 1999, SKr40bn more than the opposition, although SKr20bn of this total has not been detailed. The Social Democrats are betting higher growth and a fall in unemployment will help close the budget gap. If not, they will take tougher fiscal steps.

But a problem for both sides may lie in a vicious circle of high deficit costs crimping economic growth. The government's fiscal plan envisaged 3 per cent annual growth in the second half of the decade; already next year's growth forecast of 3 per cent growth has been cut to between 1 and 2 per cent because of the effects of high interest rates.

The second big difference is over the mix of fiscal policy. The SKr31bn Social Democratic programme consists of SKr27.4bn in tax increases - mostly through raising marginal income tax from 50 to 55 per cent, restoring taxes on dividends and raising capital and wealth

taxes - and SKr3.6bn in savings. By contrast, the SKr31bn programme detailed by the coalition contains just SKr15bn in new tax revenues, while cuts in transfer payments total SKr26bn and (unspecified) cuts in public consumption a further SKr35bn. (The balance of SKr35bn is accounted for by pension reforms.)

Industry and business have been quick to criticise the Social Democrats for over-emphasising tax cuts and not facing up fully to the need to cut public spending, which accounts for 70 per cent of GNP.

Last week, Mr Lars Ramqvist, chief executive of Ericsson, the telecommunications company, said tax increases would be a "knife in industry's back" just as most companies are returning to health after the recession.

They would threaten Ericsson's ability to keep the highly skilled staff it needs in Sweden, he said.

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## Cubans in Florida accept policy switch

By James Harding in Miami

The Cuban-American community in Florida appears to acknowledge the need to stem the flow of would-be immigrants to the US as refugees from the Caribbean island.

Even so, the community is showing a mixture of outrage and resignation, as well as relief, at Washington's decision to change its policy.

Now those fleeing Cuba are apt to find themselves back on the island - in detention at the US base of Guantanamo.

The change in US policy to Cuban refugees, which until last Thursday was welcoming those fleeing the Castro regime and offering them the possibility of permanent residence status after one year, did little to deter those launching their rafts from Cuba's northern shore to cross the Florida Strait.

The US Coast Guard in Florida reported it had picked up a further 1,189 people on Saturday, the highest one-day total so far this year and nearly three times the number of such Cuban refugees who arrived in the whole of 1990.

As the US administration continued to refine its policy,

on Cuba, President Bill Clinton seems to have won support in both Florida's non-hispanic and established Cuban-American communities for closing the door on refugees.

A survey of 240 Florida citizens, by the Miami Herald, showed 66 per cent support for Clinton's decision and 43 per cent not wanting detained refugees given a chance to apply for asylum.

Governor Lawton Chiles of Florida and all rivals likely to challenge his bid for re-election in November approved a tough stance on Cuban refugees, an indication of how they judge the attitude of non-hispanic voters in Florida.

Mr Jorge Misa Canosa, chairman of the Cuban-American National Foundation, the community's most powerful lobby, endorsed the Clinton administration's decision.

Fears of second-generation Cuban-Americans well established in Florida are put clearly by Eduardo, a student of dentistry from Miami, who said: "The people coming over are Cuba's garbage. They give us Cubans who have come over here and worked their way up a bad name."

The Transit Centre for Cuban Refugees at Key West,

on the southern tip of Florida, was empty of would-be immigrants by Saturday morning, but full of disappointed relatives who had come down from Miami hoping to be reunited with family and friends newly picked up at sea and brought ashore. There was an angry demonstration.

Mr Lincoln Diaz Balart, a Miami Republican and one of three Cuban-Americans in the US Congress, said that Mr Clinton's reversal of policy on Cuban refugee immigration demanded an equivalent change towards a tougher approach to dealing with President Fidel Castro of Cuba.

"If you're going to have a Haitian-style immigration policy for Cubans, you should also have a Haitian-style foreign policy for Cuba," Mr Diaz Balart said.

One of the fiercest critics of the long-standing US embargo on trade with Cuba is Mr Eloy Gutierrez Menoyo, director of Cambio Cubano (Cuban Change) in Miami. He advocates a "good-neighbour policy with Cuba", involving negotiations with Mr Castro to bring political democracy to the island in return for a gradual opening of trade. See Editorial Comment

## Black civil rights leader dismissed

By George Graham in Washington

The firing of Mr Benjamin Chavis as executive director of the National Association for the Advancement of Colored People brings to an end one of the most tumultuous episodes in the 85-year history of the oldest and largest US civil rights organisation.

Mr Chavis, a fiery preacher who has sought to bring younger and more radical blacks into the NAACP, was sacked by a nearly unanimous board of directors, after an eight-hour emergency meeting in Baltimore on Saturday.

The board said Mr Chavis had "embarked on a course of conduct which is inimical to the best interests of the association."

The immediate cause of his dismissal was the controversy over a \$332,000 (\$244,000) settlement reached, using NAACP funds, with a former assistant who had charged him with sexual discrimination and later with sexual harassment.

Mr Chavis has denied the charges. He said after his dismissal that he was "the victim of an orchestrated campaign to defame my character and my integrity."

The allegations threw fuel on a deeper argument over the philosophical departure which Mr Chavis had sought to bring to the NAACP.



NAACP head Benjamin Chavis, with his wife Martha, talks to journalists after he was fired

In the organisation's heyday - the 1950s and 1960s, when it won a series of civil rights victories in the US courts and the Congress - its leaders used to keep to the country's integrationist mainstream, allying itself with Jewish groups and white liberals, but shunning black nationalist leaders such as Malcolm X.

Mr Chavis, in contrast, has lately held meetings with

urban gangs and, most controversially, has sought to embrace Mr Louis Farrakhan, head of the Nation of Islam organisation.

Mr Farrakhan outstrips other US black leaders in his appeal to young urban blacks. But his anti-semitism has made him the object of fierce argument.

Mr Chavis's overtures to him have repelled many of the

remaining Jewish backers of the NAACP, as well as many black moderates, and have turned away some corporate contributors.

The debate will continue to simmer after Mr Chavis's departure. NAACP leaders in the 1960s regarded the go-it-alone ideas of the black nationalists as "segregated thinking", but such ideas have since been linked with the "empowerment

agenda" of conservative political thinkers.

This brings a response from many black activists, who feel the time has come for organisations such as the NAACP to move away from a programme basically aimed at getting white people and white institutions to change, and to concentrate instead on self-help within the black community in the US.

Mr Chavis's successor will have to cope not only with this philosophical divide, but also with a series of organisational problems.

Precise facts about the NAACP's finances and membership are unclear. Mr Chavis and his opponents continue to argue about whether he inherited a financial deficit and whether he has increased membership. The organisation itself has refused clarification.

It appears certain, however, that the NAACP faces a deficit of about \$3m, worsened at least in part by Mr Chavis's extensive travel programme and by substantial pay increases he awarded to senior staff.

What's more, even if Mr Chavis has increased the NAACP's membership, which some critics dispute, that increase has come overwhelmingly among young members who pay much lower dues and thus are doing less to dig the NAACP out of its financial hole.

### INTERNATIONAL PRESS REVIEW

## Fretting about Fidel Castro

FLORIDA  
By James Harding

A slow-motion Mariel, as the current exodus of hundreds of Cuban migrants to the US has been called because it resembles the 1980 boatlift of 125,000 refugees, was a human interest story early last week. The press, in chorus, registered admiration for the courage of those crossing the Florida Strait. Reference was made to the Mariel crisis, but the consensus appeared to be that the news was about Cuban people, not US policy-makers.

There was, even so, perhaps some disagreement over policy. In a scrap that seemed to go against type, a *Wall Street Journal* editorial advised against lifting the US trade embargo against Cuba for fear of reviving President Fidel Castro, while the *Washington Post* leader suggested that the US trade embargo against the Caribbean republic, hand-in-hand with a US policy of welcoming Cuban refugees, was responsible for the accelerating flow of migrants and that US policy needed a rethink. In general, however, there was not much to differentiate US newspaper coverage of the flight from Cuba.

But last Thursday night, when Ms Janet Reno, US attorney-general, announced a reversal of Washington's 30-year-old policy on Cuban immigration and said that would-be immigrants picked up off the Florida coast would be detained at third-country safe havens, all that changed. President Bill Clinton closed the door on Cuban refugees, but opened the debate on US relations with Cuba.

On Friday morning, the *Miami Herald*, Florida's largest English-language daily, endorsed a hard-line on immigration and called on the federal government to relieve Florida of the burden of Cuban refugees. The editorial revolved around a demand from Dade County, which incorporates Miami, to be reimbursed for state and county expenditure on refugees, claimed to be \$1.6bn (£1bn) since the mid-1980s. The *Miami Herald* responded to Ms Reno's comment that the federal government has spent \$44m on refugees this year by saying: "Since Mariel, Dade and Florida have spent many times that sum on refugees. They're a federal responsibility, not ours."

The fact that Mariel is a "sad memory for many political North Americans" was acknowledged by *El Nuevo Herald*, the *Miami Herald*'s Spanish-language counterpart.

Although *El Nuevo Herald* comes folded into the English daily, the thrust of its editorial was different. No reference was made to the state's finances or the federal government's duties to protect Florida residents. Rather, attention was on how to deal with Mr Castro. Headlined "What are the Americans waiting for?", the leader railed against the US administration. Was it waiting for "television pictures of the bodies of women, children and old people, massacred on Cuba's shores, before they denounce the genocide before the United Nations?"

*El Nuevo Herald* called on Mr Clinton to take a "golden opportunity" to use the US "free hand in the UN security council" to get a transition in Cuba to free elections, the organisation of political parties and observation of human rights - supervised by the UN.

In *Diario Las Americas*, a Florida Spanish-language daily, Monsignor Agustin Roman, Auxiliary Bishop to the Miami diocese and spiritual leader to most of the Latin community there, concurred that the central issue is what happens in Cuba. He warned against addressing the effects of the problem (the exodus, one presumes) "without dealing with its cause" (Mr Castro).

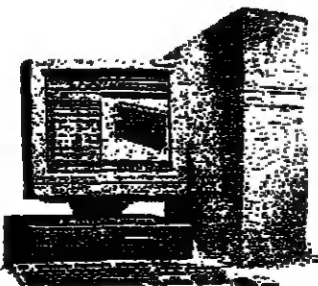
However, the divisions in Florida's coverage are by no means clearly along Cuban-American vs. North American lines. Even in one edition of the *Miami Herald*, there appears to be a variety of opinion over the merits of the 1996 Cuban Adjustment Act by which, until Thursday, the US had granted Cubans fleeing their country refuge in the US and eligibility for permanent residence status after one year. On the *Herald*'s front page, an article implied this was unfair: "Cuban refugees have been the privileged few, accorded rights no other group receives", adding reference to the thousands of Haitians who have been detained lately while trying to enter the US. On the inside pages, however, barring access to the Cubans is represented as an injustice: "For 30 years it has been unthinkable to refuse asylum to refugees from Cuba who crossed the liquid Berlin Wall that is the Florida Straits - Clinton labeled the flight of refugees from Cuba 'illegal', a word no-one would have used in the past to describe those fleeing hard-line countries that were part of the Soviet bloc."

But, after all, it's vacation time. *The Citizen*, the broadsheet in Key West on the southern tip of Florida, reported holidaymakers' reactions under the headline: "A state of emergency, where?"

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# Great reformer near to his meeting with Karl Marx

Tony Walker looks back over the 15 years since Deng Xiaoping's assumption of supreme power in China

The Chinese capital, in the bleak winter of 1978, was one of more forbidding places on earth. icy winds from Siberia gusted down through the city and a brief "Peking spring", in which faint dissenting voices were heard, had chilled with the arrest of the more adventurous spirits.

Reporters, would gather in the cold near a grimy bus station to observe progress of a flickering pro-democracy movement whose members pasted their *dazibao* or "big character" posters on a wall facing the city's main boulevard.

Those were uncertain times in China. Observers of the Chinese political scene might complain now about an opaque system that reveals little of its inner workings, but in the days when Mr Deng was reasserting control, the picture was much murkier. Journalists were reduced to driving late at night around the Great Hall to check whether an important meeting was in progress.

In those strange early days of the post-Mao era we would monitor, as best we could in a twilight political world, the fortunes of one man, Mr Deng Xiaoping, then a spritely 70-year-old, who was beginning his rise and rise, although no one in that era could (or did) forecast just how far Mr Deng would ascend to claim the "mandate of heaven".

Today, the frail and reclusive Mr Deng turns 90. He is hailed as the architect of China's remarkable transformation from a closed, inward-looking society traumatised by the mass political campaigns of the Mao-era to a country appar-



A building worker in Shenzhen yesterday in front of a poster of Deng Xiaoping which calls for support for the Communist party

ently on the way to becoming a powerful economic force.

All this economic promise was hardly the subject of even the most fanciful speculation in China of the late 1970s as Mr Deng began to take control at the fateful third plenary session of the 11th Communist Party Congress in December, 1978. Then, the talk was about whether the reformists could

break the shackles of Maoist dogma and dare even to begin dismantling the peasant communes and establish a system of free markets.

It was not at all clear in those days whether Mr Deng and his reformist faction would triumph over the "whateverists" (those who vouchsafed that "whatever" Mao said and did was right). It is perhaps

hard to believe now that we might have doubted Mr Deng would prevail, but in late 1979 and early 1980 a great deal of uncertainty permeated the political atmosphere.

Indeed, it was one of those unheralded and un-reported occasions in early 1980 that Mr Deng signalled in a speech to several thousand cadres in the Great Hall that he had more or

less wrested control from his opponents, among them die-hard Maoists, party conservatives, and those who were nervous about a new broom. It was in that speech that the redoubtable Mr Deng laid down what were described as the "great tasks" for the 1980s and 1990s, including his call for a quadrupling of China's GNP by the year 2000.

When the "secret" speech was finally published several months later after being circulated and debated among the tens of millions of communist party members, his GNP target was ridiculed. At the time we wondered if Mr Deng may not have been dreaming.

With debates in China consumed by the gritty gritty of economic reform, it is worth recalling that Mr Deng's early battles after he re-emerged in 1977 - he was purged twice during the Cultural Revolution of 1966-1976 - had much less to do with economics than they did with laying to rest the ghosts of the past.

Thus, he recognised that before China could get on with the business of joining the modern world, it was necessary to address the legacy of Mao Zedong. He supervised personally the 1981 Resolution on the Party History which concluded that while Mao had made mistakes, he had also made a great contribution to China.

Ever the pragmatist, Mr Deng argued at the time "that to build up Mao's errors too much would only damage the image of our party and our country, and harm the prestige of the party and socialist system".

Preservation of party control at almost any cost has been one of Mr Deng's cardinal principles. A fear of chaos, should that control unravel, has never been far from his concerns. These worries have fed an authoritarian streak consistent with his behaviour throughout a long career.

Mr Deng may go down in

history as one of the century's great reformers, but he has not tolerated dissent. On two occasions in the post-Mao era he suppressed ruthlessly political movements that did not square with his vision of an orderly society under party control.

The first occasion was the arrest and detention for 15 years of Wei Jingsheng, the "democracy wall" activist who had criticised Deng directly in his political testament, titled the "Fifth Modernisation".

On the second, Mr Deng was ultimately responsible for the suppression of Tiananmen protests of 1989 with unnecessary loss of life. China's senior leader has evinced no remorse publicly for either of these actions, and nor is he likely to in these fading moments.

Inevitably, accounts of Mr Deng's achievements on his 80th birthday have the ring of an obituary about them. The end of China's senior leader must be fairly near judging by his appearance when he was shown on television in Shanghai early this year, but it is also true that Mr Deng has shown an extraordinary tenacity throughout a turbulent life.

He has said that he hopes to visit Hong Kong after it returns to China's rule in 1997, and while few would give him much chance of realising his dream, he has confounded the sceptics before and achieved other goals that seemed out of his reach.

Not least of these achievements is surviving well beyond the date when Mr Deng, with his malaria wile, had expected to keep his appointment with Karl Marx.

## Panic as French quit Rwanda

France yesterday pulled out its last troops from Rwanda leaving hordes of frightened Hutu refugees held back by Zairean paratroopers firing into the air at a closed border crossing. Reuter reports from Bukavu, Zaire.

Less than half an hour after French Legionnaires pulled out of the Rwanda border post, hundreds of refugees fearing Tutsi reprisals swarmed onto the river bridge, determined to reach the Zairean shore and what they regard as safety.

Ethiopian United Nations peacekeepers stood by helplessly as the refugees ran across, only to be halted in their tracks by Zairean paratroopers firing into the air.

Retreating in confusion, the panicking refugees dropped shoes, hats and mats in the stampede back. There were two more attempts to storm the crossing, each time repelled by the Zaireans with a volley of shots.

Mr Kris Janowski of the UN High Commissioner for Refugees (UNHCR) told reporters the Zaireans had reopened Ruzizi-Two, a bridge 20 km south of the main crossing. He said the UNHCR was studying plans to bring trucks to the Zairean side of the border and transport refugees who walked to Ruzizi-Two to camps around Bukavu.

Up to 800,000 refugees were sheltering in the French zone from Rwanda's three-month civil war. At the main crossing, Ethiopian troops were subjected to a abuse and missiles as furious Hutus accused them of being allies of the victorious Tutsi-dominated Rwanda Patriotic Front.

From the Zairean hillside, a machinegun was trained on the 5,000 milling refugees while members of the 150-strong paratrooper force posted along the porous border kept watch. "It is the first indication of what will happen in the southwestern region with the withdrawal of the French, it doesn't bode well," said Ms Nina Winkvist, spokeswoman for the International Committee for the Red Cross (ICRC).

At a brief military ceremony at Kamembe airport, outside Cyangugu, French Lt-Col Jacques Hogard, commander of the French Operation Turquoise in the Cyangugu area, passed on control of the zone to Ethiopian Col Tadele Gebreselassie. Then the French tricolour was lowered to be replaced by Ethiopian and United Nations flags. French forces had succeeded in keeping the RPF out of the zone and had protected Tutsi refugees from further massacres by Hutu troops and militia.

## LME probe into Chilean futures

By David Pilling in Santiago

Codelco, Chile's state copper company, yesterday said the London Metal Exchange had agreed to investigate "unusual transactions" between Codelco and several brokers that contributed to losses of up to \$270m (\$174m) for the company on futures trading last year.

Codelco will this week send a formal report to the LME detailing operations in 1993 by Mr Juan Pablo Davila, Codelco's chief futures trader, many of which had "no commercial explanation whatsoever".

Mr Juan Villarriz, Codelco president, said an Ernst & Young investigation showed "the existence of systematic deceit aimed at distorting the economic outcome of copper futures transactions, creating fictitious profits and postponing losses". However, he stressed that this did not necessarily imply that the brokers concerned had deliberately colluded with Mr Davila.

The announcement of a possible LME probe follows a recent visit by Codelco officials to regulatory authorities in London and Washington when they presented initial findings of the Ernst & Young report.

"LME executives said they were fully prepared to begin the appropriate investigations after receipt of a written request by Codelco, which will be sent in the next few days," Mr Villarriz said.

Mr Villarriz said Ernst & Young had discovered operations between Codelco and London brokers that would have been illegal on the Comex exchange in New York. "This is not the case on the London exchange whose regulations in this respect are much less demanding" and based principally on "good faith and gentlemen's agreements".

## Taiwanese projects in China

By Laura Tyson in Taipei

Taiwan has approved proposals for 31 investment projects in China totalling \$60m (\$38.5m) and will further relax restrictions on investment by local companies in China, the Economics Ministry said at the weekend.

The moves signify a further step in the liberalisation of investment by listed Taiwanese companies across the Taiwan Strait, until recently subject to strict government controls. Small companies have been investing in China since the early 1980s, largely through indirect channels.

Taiwan has banned direct trade, investment and transport links with China since 1949, forcing the bulk of such activities to be routed through Hong Kong.

The recently approved investments by Taiwanese companies include a \$8m container terminal project by Evergreen Marine, part of the Evergreen, one of the world's biggest container shipping lines. The project marks Evergreen's first foray into China following an announcement in May it planned investments amounting to \$80m.

A total of 632 items will be moved from a prohibited list and to a permitted investment list for Taiwanese manufacturers, the Economics Ministry said. The newly approved list includes 186 textile items, 188 machinery items and eight steel-related items.

The combined export value of the 632 items was \$22.6bn in 1993, accounting for 27 per cent of Taiwan's total exports, the ministry said. Imports of the items amounted to \$6.14bn or 8 per cent of the total.

A fourth typhoon in two months pounded Taiwan yesterday on leaving three people dead and two missing, Reuter adds from Taipei.

Typhoon Fred brought 180mm of rain across northern Taiwan overnight and early on Sunday, and as much as 480mm in mountain districts, days after torrential rains from Typhoon Doug caused floods in the southern city of Kaohsiung.

Most domestic flights and many trains were cancelled as the storm, with winds of up to 180kph, swept across the north of the island.

## Obituary

### Linus Pauling: leader in chemistry

By Clive Cookson, Science Editor

Linus Pauling, one of the great figures of 20th century chemistry, has died at the age of 93. He was the only person to win two solo Nobel prizes in different disciplines.

Pauling won the Nobel Chemistry Prize in 1954 for his work on chemical bonds. This gave scientists a theoretical framework for understanding the forces that hold atoms together - and a practical guide for predicting the structure and shape of new molecules. Pauling's research is the basis for the computer programs used today in the pharmaceutical industry to design new drugs.

His second Nobel award was the 1962 Peace Prize, in recognition of his tireless campaigning against nuclear weapons testing. His anti-bomb petition to the United Nations, signed by 11,000 scientists from across the world, helped persuade the US, UK and Soviet Union to



Pauling: vitamin-C crusader

sign the 1963 atmospheric test ban treaty.

But Pauling is probably just as well known today for his scientific crusade over the past 25 years in favour of vitamin C. He believed that huge doses of vitamin C - two spoonfuls per day, or hundreds of times more

than the officially recommended daily allowance - could help stave off illnesses from colds to cancer and prolong healthy life by more than 20 years.

Pauling himself was a good walking advertisement for mega-doses of vitamin C. He remained mentally and physically active into his 90s, writing a dozen research papers a year, and his gaunt figure, topped with blazing white hair, was a familiar sight at scientific meetings.

However, Pauling did not win the scientific and medical establishments over to his view of the virtues of vitamin C.

Although mainstream researchers have become more aware of the health benefits of vitamins since Pauling began campaigning, most regard his claims as grossly exaggerated. Indeed some privately pointed to Pauling as a warning to successful scientists not to become obsessed with cranky

ideas in their old age. Pauling was born, bred, lived and died on the US West Coast. He grew up in Oregon, the son of a small town pharmacist who used the slogan: "Pauling's Pink Pills for Pale People" and from whom he derived his love of chemistry.

After studying chemical engineering at Oregon State University, he moved to the California Institute of Technology for graduate studies in 1922, at the age of 21. Cal Tech was to be Pauling's base for the next 41 years, during which he developed his Nobel-prize winning theories of chemical bonds and structures.

Chemists will remember Pauling above all for his book, *The Nature of the Chemical Bond*, published in 1939 and without doubt the most influential chemistry book written this century.

He died on Friday night at his Californian ranch in Big Sur.

## Key parties absent from Algeria talks

By Francis Gribble in Paris

A national dialogue aimed at reducing the violence in Algeria is unlikely to resolve the situation because of the absence of three key protagonists.

The talks, sponsored by the president, were scheduled to start in Algiers yesterday. The Islamic Salvation Front (FIS), which was set to win the general election suspended in 1992, has not been invited to attend. Two senior leaders of the key opposition, Mr Hocine Ait Ahmed, who leads the Socialist Forces Front (FSF) and Mr Mouloud Hamrouche, a former prime minister and prominent member of the National Liberation Front (FLN) have argued that in the absence of FIS leaders and a radical overhaul of the existing political system, the talks were pointless.

The two junior Islamic parties, Hamas and Ennahda, will attend the talks as will the FLN which held power from

1962 to 1991. However, the absence of Mr Hamrouche who, when prime minister from September 1988 to June 1991, legalised the FIS robs the FLN presence of much of its meaning.

Meanwhile, in a letter addressed to the head of state, Gen Liamine Zeroual one month ago and made public yesterday, one of the two paramount FIS leaders has repeated his party's insistence that the military-backed regime must free FIS leaders. Mr Ali Benabdellah, who has been held in the military prison of Bidja since June 1991, said that the FIS and the Islamic Salvation Army (AIS), which owes allegiance to the FIS, should meet the government and debate publicly the country's future. He also says that "in supporting the dictatorial junta" western countries are committing "two crimes, against the Algerian people and against their own national values (living in Algeria) by putting them at risk".

## Fuel famine cripples air transport in Nigeria

Paul Adams takes a much-delayed flight from Lagos to the political capital of Abuja

Getting a domestic flight was easier in Nigeria before the oil workers went on strike and the jet fuel ran out. Last week in Lagos, the rush was for a ticket to Abuja, the federal capital where jailed opposition leader Moshood Abiola was due to appear in court charged with treason for saying he won the election.

There are no trains unless you have a week to spare and it is a 10-hour drive to Abuja. The roads appear to have been shelled by heavy artillery but the potholes are there because the road is not maintained and the twisted, charred vehicles on the roadside are the result of bad driving.

The last scheduled flight on Okada Airlines to Abuja was at 9 pm. There is no such thing as a check-in time at the terminal, a sprawling row of gloomy sheds, and often there is no such thing as checking-in. Touts swarm around passengers, and work with the men in airline uniform and, occasionally, security forces in plain clothes.

Nigerian police yesterday arrested the sacked leader of a striking oil workers union, the latest detention in a crackdown on opponents of the military government. Reuter reports from Lagos. Mr Frank Kokori, former general secretary of the Nupers trade union, has been a powerful force behind the six-week strike aimed at forcing the military to hand over power to presidential claimant Chief Moshood Abiola, who is now on trial for treason.

A colleague, Mr Wariebi Agamene, the sacked president of the union, said Kokori was arrested in the early hours of the morning. Kokori and Agamene were dismissed by military ruler General Sani Abacha on Wednesday along with leaders of another oil

union and the umbrella labour federation. Nearly a dozen people were arrested nationwide in a swoop on Friday but many others were later released. Among those still detained are Anthony Enahoro, vice chairman of the National Democratic Coalition (Nadeco), a 71-year-old politician who was in the forefront of push for independence from Britain in the 1950s. Others are Mr Cornelius Adehaye, a former deputy state governor, a Nadeco leader and two aides of Chief Abiola - his spokesman Mr Fred Eno and Mr Ademola Adeniji-Adele. In an effort to break the strike, the government has asked retired oil workers to register at their local job centres with a view to being re-employed.

The airline staff led a large posse of touts to get the remaining flight to Abuja, which was from the other terminal. The "last flight" was a Russian-made Tupolev 134, with "Maina Air" written on its side. It was not an airline I had heard of. "It means chief in the Kanuri language," said another passenger. The Bulgarian crew looked reluctant. They had barely enough fuel to fly to Abuja and back. They were finally persuaded, perhaps by

the Kanuri chief, to get in the cockpit. I sat opposite a former government minister, going to Abuja for a constitutional conference, meant to decide the fate of Mr Abiola. The crew informed us that they had decided to fly, very slowly, to Abuja via Kano, which is in the same direction but exactly twice as far, and there re-fuel, and fly back to Abuja. Everyone groaned, then went very quiet for a minute or two after take-off, which was a

little shaky. For the first time in recent memory, someone said he wished he had gone Nigeria Airways. "You definitely feel that you are in a cabin," said the retired minister.

We headed towards the Atlantic coast, circled round the mass of creeks west of Lagos and climbed above the cloud. We reached the arid north, where the former minister pointed out his home town clearly visible beneath us.

When we landed at Kano, one of the stewardesses took out a bag full of money, taken from the flight's ticket sales, and went off in search of fuel. Inexplicably, there was none.

The passengers strolled around the deserted tarmac, spoke for hours on their cellular phones to Lagos and Abuja and discovered old friends and acquaintances were on the flight.

A well-known trade union leader, now relieved of his job, earnestly explained that tomorrow Chief Abiola would be released on a great day for

democracy in Nigeria, then he strolled with his entourage to the Kano airport VIP lounge.

A pair of headlights appeared half a mile across the runway and headed slowly towards the aircraft. It was the fuel tanker and by 8 o'clock the aircraft was ready to go, arriving in Abuja five hours after we left Lagos. It is normally a 50-minute flight.

The next day, the judge in the high court case resigned because no one trusted him. Chief Abiola went back to his cell, and everyone else stayed put because there were no flights.

Nigeria Airways was the only flight out of Abuja and the captain actually apologised for a slight delay. On board were some more trade union leaders. Twelve hours later Gen Abacha announced that they had been relieved of their jobs. The airlines are still searching for jet fuel, Chief Abiola is somewhere in custody and Nigeria is still waiting for the dawn of democracy.

## Hawke's political memoirs hit a wave of criticism

By Nikhil Tait in Sydney

The queue in the Miranda Shopping Centre in one of Sydney's southern suburbs was modest but persistent. For 90 minutes, it shuffled slowly forwards, never dropping below two dozen people. At its head sat Mr Bob Hawke, Australia's prime minister until late 1991, signing copies of memoirs with patience and flourish.

The recently published book has caused a storm in Australia, largely

because of its highly personalised attacks on Mr Paul Keating, Mr Hawke's successor and the current prime minister. But for the most part, Saturday's shoppers were quietly supportive of their former leader. "I'm going to get him to sign it for my granddaughter - he was a good prime minister," remarked one woman.

Assistants from Angus & Robertson, the bookstore handling the promotion, said sales had been brisk.

Not everyone was enthused, though. One teenager, hanging over the railings, thought this was a curious way for a former prime minister to be spending his time. "Look at Malcolm Fraser, he's going round for CARE Australia," she said in reference to the former conservative prime minister's work for the aid agency whose profile has been raised by the Rwanda crisis. Another lady, flicking through the memoirs noticed the A\$49.95 (\$24) price and was blunter, "I wonder how much

he gets out of it?" she asked. Dollars from sales appear forthcoming, but there has been a lack of critical acclaim. Most local commentators view the book as an effort at self-aggrandisement, with Mr Hawke anxious to ensure the credit for his opening the Australian economy in the 1980s is laid at his door.

In the process of claiming sole credit for the reforms of the 1980s, Mr Hawke - who held power for eight years and won an unprecedented three elections - has missed

few opportunities to do down his successor, who served as Treasurer during much of the Hawke government. The bad blood between the two has been evident ever since Mr Hawke tried to duck out of the "Kirribilli agreement", under which he would step down in favour of Mr Keating after the 1990 election. It took a bruising fight within the Australian Labor party before Mr Hawke was forced to relinquish the reins.

By the end of last week, the former prime minister appeared weary

of taking a barrage of criticism over the book, but was still talking tough. "I knew it would cause some unhappiness," he said, when asked if he had been surprised by the reaction. "But the facts have to be told."

Mr Keating has kept out of the fray. There was only one tart comment, as he unveiled a series of "Open Learning" programmes for TV. This he said was "not the only launch today, but I'll bet pounds to peanuts this one has a longer-term influence on Australia".

Handwritten signature: 10/10/10



# Disabled workers to vote on strike

By Richard Donkin, Labour Staff

Unions are to hold a strike ballot among disabled workers at Remploy, the clothing manufacturer at the centre of a political row over the British government's decision to remove its status as a priority supplier in a strict interpretation of a European Union directive.

The GMB general union, with the largest membership among a six-union consortium at the company, said that many members among the Remploy workforce were in a mood to take strike action over pay and conditions.

Feelings were running high, it said, because of the way Mr Michael Portillo, the employment minister, made it clear he would be complying with the direc-

tive without seeking to challenge it. Union leaders are angry at the way that the company's offer to increase basic pay by 3.5 per cent has been linked to proposed changes in working conditions.

The GMB says that the proposals covering shift work and working hours will effectively disbar the most severely disabled from working at the company.

At present disabled workers are considered suitable for Remploy work if they are able to work for 38 minutes in every hour but the company wants to change this to 40 minutes an hour. The move would affect pay because bonuses are based on these times.

Remploy has made the offer conditional on acceptance of a scheme designed to cut down on absence levels.

The company also wants to introduce shift patterns outside the normal office hours which, the unions claim, will increase the difficulties of getting to work for some disabled people.

The conditions have re-enforced union suspicions that the government is seeking a more competitive climate at the company. Mr Portillo fended off earlier accusations that his department's decision to drop the special status for disabled workers in winning government contracts was motivated by a desire to subject such suppliers to greater market pressure.

Mr Phil Davies, GMB national officer for Remploy workers, said: "This government has decided to mount an all out attack on disabled people. The unions are fully prepared to defend

these workers - our case is strong and just."

He said: "The strings attached to the offer will cause tremendous hardship for these workers. Flexible working and the changes to the work timetable could mean a 12-hour day for a disabled person with no overtime pay."

Remploy said that some proposals including those on job grades, the bonus scheme and flexible working were topics put forward for discussion. It was only seeking a commitment from the union to discuss these issues. Union officials said, however, that it was made clear to them that company would be seeking changes within the life of the agreement.

The pay offer, said Remploy, was in line with public sector guidelines.

## Britain in brief



## Speculation grows over IRA ceasefire

Irish prime minister Albert Reynolds last night called on the IRA and Sinn Féin to show "leadership and courage" in order to halt terrorism as speculation grew in Ulster of an imminent open-ended IRA ceasefire.

He insisted: "Patience will bring peace."

Mr Reynolds said the Dublin government's position remained that "all parties should put behind them the use of violence as an instrument to progress political objectives".

He also rejected suggestions of any divisions between himself and Deputy Premier and Foreign Minister Dick Spring about the timescale for permitting Sinn Féin - the IRA's political spokesmen - into any negotiations about the future of Northern Ireland.

At the weekend Mr Spring indicated that he may lead his Labour party out of Mr Reynolds's coalition government if Sinn Féin were allowed to join talks ahead of a total cessation of violence.

An announcement concerning a ceasefire - a major gamble by the IRA aimed at influencing the British and Irish governments - could follow talks in Belfast later this week between Mr Adams and a group of influential Irish-Americans who helped him obtain a visa for the US earlier this year.

the station outright, but might agree to BAA investment to improve Gatwick's facilities.

Despite BAA's interest in Gatwick, it is not considering expanding into railway station management elsewhere in the network. Nor does it wish to bid for the Gatwick Express train operations franchise, which is expected to be one of the first train services to be privatised in 1995.

BAA is also the majority partner with Railtrack in the fast train link from Paddington station to Heathrow, London's largest airport.

The £300m construction project is expected to be completed by 1997.

## Women show job success

Women prove more successful than men when they are competing for senior management positions, according to statistics released by a UK recruitment consultancy.

The survey which focussed on 85 posts in the £30,000 to £75,000 salary range handled by the London office of NB selection, found that from the shortlisted candidates one in four women compared to one in six men secured management positions.

This company also examined a sample of 31 assignments covering 3,000 applicants and found that, proportionately, women again fared better. Some 22 per cent of women applicants secured interviews compared with 10 per cent of male applicants.

Ms Elizabeth Marx, head of NB Selection's psychological assessment practice said that while significantly fewer women applied for jobs in comparison with men "it is obvious that the women who apply are of higher calibre."

## More firms using bonuses

Increasing use of bonus schemes is paving the way for an end to the annual pay rise, a report suggests today.

The report by the Confederation of British Industry and Wyatt, the human resource and actuarial consultancy, says that employers are broadening their use of incentive and profit related pay schemes.

The adoption of such

variable pay systems, partly reflects a desire by employers to use them as a lever to break away from or to reduce the annual rise in basic pay to which many remain committed.

The survey, which analysed 300 schemes in 100 companies, defined variable pay, widely adopted in the US, as the "at risk" part of a wage packet, covering individual bonuses, team incentives, gain-sharing, share schemes, profit-sharing and spot awards - one-off payments made to reward a job well done.

The most generous types of variable pay, it said, were restricted share schemes and key-contributor schemes, usually confined to senior management, which can sometimes be worth up to 100 per cent of basic salary.

## Boots faces gas mask writs

Boots, the UK chemist chain, will receive within the next month High Court writs from up to 20 women claiming compensation for injuries allegedly caused by working with asbestos in a Nottingham factory making gas masks during the second world war.

The cases follow an out-of-court settlement in the US last week which could lead to the compensation of 100,000 Americans who contracted diseases after being exposed to asbestos. The settlement, costing \$1.3bn (£830m) involves 20 asbestos companies, including T&N, which was the major supplier in the UK.

## Economists in short supply

Economists have found a fresh cause for concern about the health of the UK economy - a reduction in the supply of economists.

British schools are apparently producing instead a generation of would-be entrepreneurs who see business studies as a route to fulfilment.

Mr Paul Walton, economist with James Capel, the UK securities house, points out today that the number of candidates for economics A-level hit a 20-year low this year. The 30,885 was a drop since last year of 15.2 per cent. It peaked at 43,500 in 1983.

## Body Shop in defence of its business ethics

By Alan Cane

Body Shop International, the cosmetics group whose watchword is environmental soundness, yesterday defended itself against reports over the weekend which raised questions about its green credibility and business ethics.

An article in the Financial Times last Friday which reported that Franklin Research Development, a US ethical investment fund, had advised its clients to sell Body Shop shares "did not fairly represent the position", according to Ms Angela Bawtrie, in charge of investor relations.

Mr Gordon Roddick, Body Shop chairman, was not available for comment yesterday but is believed to be writing to the FT to set out his interpretation of the situation.

Reports in other newspapers that Body Shop paid two US businessmen \$3.5m in 1987 for the Body Shop name and that a US journal Business Ethics will shortly publish an article critical of the company's Trade Not Aid policy - buying supplies from indigenous people in developing countries - were not denied but shrugged off as "old news".

Franklin, which manages about £350m in funds on behalf of 300 clients interested in ethical investment, changed its recommendation for Body Shop shares on July 15. It is understood it had been concerned about increasing competition in the company's core markets coupled with worries about forthcoming press reports which are expected to be critical of Body Shop's activities, especially the Trade Not Aid campaign. Over the past few weeks it has sold about 50,000 Body Shop shares.

Body Shop does not dispute that Franklin changed its recommendation, but argues that its relationship with the fund is sound and that Body Shop is working with Franklin on a new company analysis to be published shortly.

Critics of Body Shop centre on whether the ingredients used in its products are truly natural and whether the Trade Not Aid policy exploits the people it is designed to help. The company agrees that the proportion of its total product range supplied through Trade Not Aid is small but that the trading and social relationships built up cannot be accounted for in financial terms. Body Shop shares shipped up to 23p on Friday.



At the BOC gas cylinder-filling site in Leeds, quality controllers carry out checks on the 1,700 gas cylinders needed to inflate the 1.5m helium balloons that Disney Home Video is planning to launch next week to mark the release of the home video version of the movie 'Aladdin'.

## Warning on Sizewell plant

By Michael Smith

British Coal warns today that a planned nuclear power station on the Suffolk coast would displace up to 9m tonnes of coal a year and expresses strong doubts about the nuclear industry's ability to deliver electricity at the costs it promises. Nine million tonnes represents a significant proportion of the coal industry likely to survive into the first few years of the next century, the earliest the new station, Sizewell C, could come on stream.

Some coal industry analysts believe that total output of the coal industry by 2000 is likely to be below 40m tonnes. British Coal's warning, in a submission to the government's nuclear review, represents a strong rebuff to Nuclear Electric and Scottish Nuclear, the two main nuclear generators.

They have argued that the coal and nuclear industries are a good environmental fit and that gas-fired generation is the cause of coal's contraction. Nuclear Electric has already applied for planning permis-

sion to build Sizewell C, although the company's ability to build it will depend on the nuclear review.

Nuclear Electric argues that Sizewell C's electricity will displace power from Magnox nuclear stations, due to be retired over the next decade, rather than that from coal.

British Coal says in its 24-page submission that past decisions to invest in nuclear power have been based on optimistic forecasts "which were subsequently seen to have been misplaced."

## BAA interest in Gatwick station

BAA, the UK airports operator, is interesting in buying Gatwick airport railway station from Railtrack, the government-owned train authority. The company wants to improve access and facilities at the station, which lies parallel to BAA's Gatwick airport, and may spend up to £2m on the site.

Railtrack is unlikely to sell

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## MANAGEMENT

**Ian Rodger asks whether Logitech can remain Swiss and independent in a fiercely competitive industry**

# Almost caught in the mouse trap

If there is one certainty for companies in the fast-changing personal computer industry, it is that no strategy will be successful for long.

Logitech, which leads Microsoft by a short head as the world number one in mice for computers, with more than a third of the market, has in its short 13-year life changed course radically four times. It expects further shocks as a matter of course.

"We always think we have done enough, but we never have," says Daniel Borel, the group's co-founder, chairman and chief executive.

In the process of perpetual adjustment, the Swiss-based group has moved more and more of its activities to the US and East Asia, and thus become less and less Swiss. Its experience again revives the perennial question of whether any Europe-based group can stay the course in the rough and tumble of this global industry.

Logitech was given its start in 1981 when two Italian electronic engineers, Giacomo Marini and Pierluigi Zappacosta, came together with Borel, a Swiss engineer. The three had met at Stanford University in the mid 1970s.

Their initial view was that the mouse would be attractive only to specialised computer users, such as engineers, and would be sold directly to them. Volumes would be relatively small, so it would not make sense to manufacture it themselves. However, after winning a contract to develop a mouse for Hewlett-Packard, the US computer and electronics multinational, they changed their minds.

They had correctly that HP and other computer makers would become the big buyers of mice, including them in their computer kits alongside the keyboard. They also realised that these original equipment makers (OEMs) would only buy from a supplier which made its own mice, and preferably from one that was close at hand, so that quality could be checked and deliveries secured.

Thus began the exodus from Switzerland. Logitech set up manufacturing in California in 1984 and within a year had 10 large OEM contracts and annual output of 300,000 units. Two years later, it began production in Taiwan for Asian OEMs (including the Asian makers of US suppliers, such as Apple) and in 1988 started a factory in Ireland aimed at European PC makers. By 1990, production in Switzerland had been halted.

But margins on OEM business were thin, and the group soon saw that it also had to break into the fast-growing US retail market under its own brand if it was to generate adequate profits. It could not afford to set up its own distribution network, so it sold directly through the increasingly effective channel of PC magazine advertising.

This helped Logitech build its sales to SFr124m (\$90m) in 1993, and to become something of a multinational, complete with a listing of its shares on the Swiss stock exchanges. Marini remained at group headquarters in Lausanne with responsibility for finance and product development, while Marini and Zappacosta directed worldwide marketing and software development from Silicon Valley in California.

By then, the group's biggest concern was that the mouse was

becoming a mature product, with little potential for further technical development. That meant it would become a commodity sold on very thin margins against increasingly stiff competition from low-cost, East Asian producers.

In common with many other companies in this situation, Logitech began looking for opportunities to diversify, although with no illusions about the dangers. "It is easy to make sub-products, but very difficult to find a second mouse," Borel says.

It rapidly evolved a diversification strategy. Although the company intended to keep close to areas it understood, the strategy has taken it into demanding new markets some of which have required extra skills.

Logitech's mission, the directors decided, was to humanise the PC, to provide it with senses - not only the touch supplied by the mouse, but also, gradually, sight and hearing. A family of products called "Senseware" would be developed.

In 1988, the group acquired the licence to a hand-held scanner and has since developed a full line. More recently, digital still cameras have been developed. So have "sound-cards" (circuit boards); these are expected to become popular as the market for sophisticated home entertainment computer systems grows.

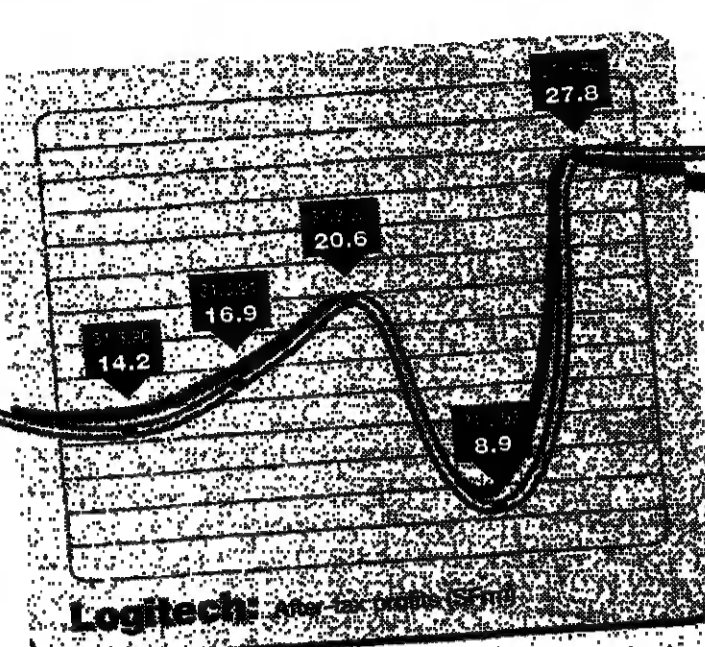
Sales and profits maintained brisk double-digit growth up until 1991, suggesting the group was on the right track. However, a potentially fatal flaw emerged in its structure.

The three main production centres outside Switzerland were building up their staff to become largely autonomous, each with product development, manufacturing and marketing activities. Initially, this process was endorsed by the directors because it gave the group a strong local image in each region, both with customers and with potential key employees.

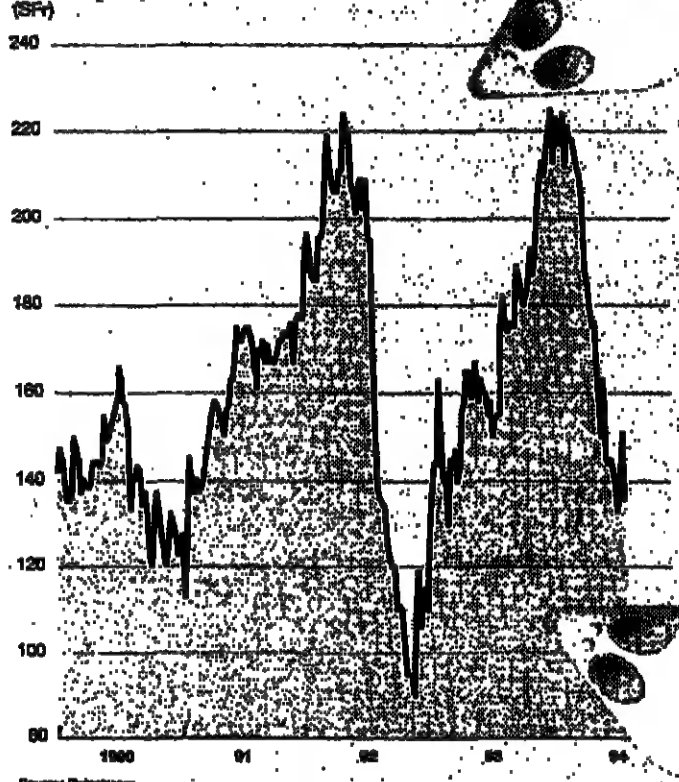
But the disadvantages of such a loose federalism - costly duplication of effort, diffused market intelligence and unco-ordinated R&D spending - soon came back to haunt Logitech.

In 1992, a vicious PC price war broke out. Coincidentally, demand for Windows software, which requires the user to have a mouse, boomed. On the one hand, Logitech was faced with a dramatic increase in demand for its products, but on the other it was forced to slash its prices.

"It was fine to charge \$120 (\$77) for a mouse when the customer was paying \$5,000 for his PC. But when PC prices went much lower, people



Share price (\$)



expected to pay less for a mouse too," says Rory Dooley, business unit director for pointing devices. Today, mice retail for around \$20 in the US.

Revenues in the six months to October 1993 sailed ahead a brisk 25 per cent, but cashflow slipped to a

negligible SFr0.3m and the group suffered its first loss of SFr3.1m. With a reported equity base of only SFr80.2m and net debts of SFr111.6m a few months earlier, Logitech could not afford to sustain losses of this size for long.

The immediate solution was obvious if painful. Production costs had to be lowered sharply again. With the factories in Taiwan and Ireland running well and a new China venture in the works, the high-cost California factory could be shut down.

Marini, who was responsible for US operations, resigned in protest, but profitability was restored in the following six months and has been sustained ever since - though not without hiccup.

This latest radical shake-up also meant jettisoning the assumption that production had to be located near the headquarters of the main PC manufacturers.

Since the 1992 crisis, Borel has moved to Silicon Valley to control operations and keep a close eye on the all-important US market. Only the finance function and some high-end product engineering remain in Switzerland. The home country remains valuable as a source of top-quality engineers and as a test market because of the company's standing as the only significant Swiss player in the world computer industry. But of Logitech's 2,400 payroll, only 100 work in Switzerland.

In an admission which speaks volumes for the pressures under which the company is working, Otto Kunzel, vice-president, finance, says an ambitious research programme has also been reined in because "we cannot afford to look ahead 10 years, we are too small".

Profits recovered quickly, and the group managed to close the year to March 31 1993 with net income of SFr9.9m, down 57 per cent on the previous year. In its latest year to March 1994, net income more than tripled to SFr27.8m on sales up by 17 per cent to SFr84.2m. But Logitech's recovery had soured in the first quarter of this year (the group's fourth fiscal quarter) when a fresh round of PC price cutting and a shift in sales patterns caught the directors by surprise and profits slumped.

In an unusually blunt statement in May, the company explained why

sales in its fourth quarter dropped 6.6 per cent and profits were below expectations. "The introduction of new products at the end of the third quarter did not stir up customer demand as anticipated, while sales of the more traditional lines were slow."

Sales of PCs continued to grow at about 15 per cent in volume but also in value, according to Kunzel. "How do we cope," he asks. Answer - yet another round of cost cutting.

While finely priced OEM deals remain the backbone of the business, new models of mice have been designed to try to breathe new life into the flagging retail market - some cordless, some shaped for left-handers, some for use with portable computers.

The main new product that did not stir up customer demand as expected in late 1993 was a low end sound attachment called Audiomani. PC users have already moved on to high-quality soundcards, a market which is dominated by Creative Laboratories of the US. Logitech has just introduced a soundcard called SoundMan.

With camera sales still tiny, the group's diversification strategy has certainly progressed slowly. Mice and other pointing devices still account for nearly 80 per cent of revenues.

Only in scanners did it get off to a good start. They now account for close to a fifth of its sales and it claims a leading 45 per cent world share of hand-held models. But as one company official points out, a scanner remains a luxury option for most PC users.

Another problem - not mentioned in the fourth-quarter statement - has been a significant shift in US PC marketing patterns which Logitech was slow to spot. More and more PCs are being sold in department and chain stores rather than in specialist shops, forcing the group to refocus its marketing efforts there.

Is it all worth it? Borel looks weary and admits that, as a founder, he has found it "emotionally draining" to deal with the many personal problems arising from the past few years' upheavals. "You realise that we grew initially on heart and soul. Now we bring in the professionals. They are cold and financial, and the two camps hate each other."

But he is still convinced the group is on the right track and is excited about the much heralded potential of the home computing market. "We are dedicated to our original vision to humanise computing," he says.

"We believe that Senseware's future markets will mature, evolve and flourish in parallel with computing technology itself because successful technology must be 'human-centric' no matter what its application," he said in his latest annual statement.

Apart from the sheer competitiveness of all Logitech's markets, he says the main problem is deciding when the time is right to push into new areas. "It is so easy to expand in markets that are not yet ready."

Is Logitech determined to remain Swiss, European and independent? This is not an issue at the moment, but Borel does not rule out joining another group at some point. "We are living through an important stage in the history of this industry. The important thing is to be part of the game."

## DESERT ISLAND MANAGER

**Tim Hely Hutchinson**

Tim Hely Hutchinson, 48, is chief executive of Bolder, Headline, Britain's fifth-largest publishing group. His company's diverse portfolio includes the *Mail* and *Evening News*, as well as *The Hello* and *Look* magazines.

What would you most miss, apart from the staff, if you were sent to a desert island?

Probably a car. I don't like to run the business from a desert island. I'd have to have a car to get to someone who could get a boat back.

What time of day would you prefer to spend on the island?

At night. I like to read. It would be a good time to read a good book. I like to read a good book.

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Probably a car. I don't like to run the business from a desert island. I'd have to have a car to get to someone who could get a boat back.

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## Hold your breath and take a break

You've heard about the one-minute manager. How about the 30-second manager?

I'm not kidding. Though no student of Zen Buddhism (my wife, Kate, is), I do engage in the Zenian practice of "following my breathing". It might well be classified a near-miracle.

Bugged by the direction of a conversation, I stopped in a cab by slow-moving London traffic and already late for a meeting. Follow your breathing, for 30 seconds, a moment, or 10 or 20 minutes. By which I mean tuning into the basic process of breathing: you don't need to intone some esoteric mantra, just slowly, "breathing in, two, three, four, breathing out, two, three, four."

I know there's more to it and I practise a number of variations. But, in short, it calls a complete halt to whatever silly, overwrought tension is building inside me. Doing it on the highway when I'm behind, say, three or four crawling vehicles, my speed automatically drops by 10

or 20 miles per hour - and my disposition returns to equilibrium, at times approaching passivity (too mean test, for a classic Type A, argumentative personality, age 51).

Though I've never read a single book on meditation, or taken a formal lesson, I was prepared by my relative passion for a special form of exercise - speedwalking. (Or aerobic walking, powerwalking - all quiet kin of racingwalking, my variety is 11 to 12 minutes per mile.) It started in a hotel room in Houston, Texas. Going over a telephone-message list from my office in California, I noted a call from a participant in one of our five-day seminars. "You're a walking heart attack in the making," the healthcare executive had said. "Come to one of our facilities: take a stress test, on me." (I pictured all sorts of doodads glued to my body, while I raced along a treadmill - with a physician clucking as he watched my ticker pound out of control.) I still haven't taken the complimentary test, but the next morning -

### TOM PETERS

February 11 1993 - I went out for a self-styled 10-minute "exercise walk". I flailed away awkwardly. But I haven't stopped since.

Though no racewalker (solo is my gig - no exceptions), I've become obsessed. As of this writing, I haven't missed a day in the last 20 months.

If the hardish evidence is valid, it's doing good things for my ageing body, perhaps delaying the inevitable a tiny bit.

But that's the least of it. It's become a meditation, and a centre-piece to my day.

On my farm in Vermont, I usually walk about five miles after I've finished my day's writing. It's a time to unwind, reflect and, sometimes, work on a problem. (I admit I carry a stubby pencil and little blank cards in my pocket - I never break my pace, but I do sometimes record things when I finish.) On the road - in the parking lot outside my Frankfurt airport hotel, amid the grimy Sam sang of Bangkok - I launch the day with a one- to three-mile chug.

As you can doubtless tell from this description, I've become a true believer; which amuses me and my close friends - though a second-rate jock in college (lacrosse), I was vociferously anti-exercise until I became a financial advocate.

Thence the walking led to the breathing. Maybe one of these days I'll emulate Chicago Bulls basketball coach Phil Jackson and become a full-fledged Zen Buddhist. (Yes, Jackson does say that he tried out the Buddhist approach, successfully, on his eminence, Michael "Al" Jordan.) Truth is, relaxing has never come hard for me. I go when I go. I stop when I stop. In fact, I realise this is unadmitted bias. I hold in contempt my Type A friends whose weekend frenzy matches their weekday pace.

But I do "work" on the weekends. That is, I read intently, mostly fiction. My purely professional reading, also a passion, rarely includes management books (b-r-r-r-r), and tends strongly toward history. Business schools (on both sides of the Atlantic) ignore economic history to the great discredit. James Grant's *Money of the Mind: Borrowing and Lending in America from the Civil War to Michael Milken*, for example, taught me more about finance than

several courses at the highly esteemed Stanford Graduate School of Business. My inability to sleep on a TV show with US Labour Secretary Bob Reich on industrial policy led to a thrilling four-week summer adventure - reading up on the early days of the industrial revolution in America. If I had to do it all over again, I'd take my degree(s) in economic history or the history of technology.

In fact, my reading "programmes" have become the mainstay of my official summer vacations. About 10 years ago, Kate and I got into the habit of renting a house somewhere (the Dordogne, western Ireland) for three or four weeks. And I got into the habit of getting slightly organised about my reading on these mini-sabbaticals. It's been a pure, unadulterated joy.

Whether my breaks last 30 seconds or 30 days, it's clear to me that they are of the utmost importance. This is the wrong age to go stale.

Lucy Kellaway is away.

One condition can be imposed on the island.

A perfect justice bathroom, full of fresh water, washed up on it after a storm. That would mean I wouldn't have to turn into the Wild Man of Borneo. It would be nice also if the island could have a race course, but I suppose that's asking too much.

Martin Mulligan.

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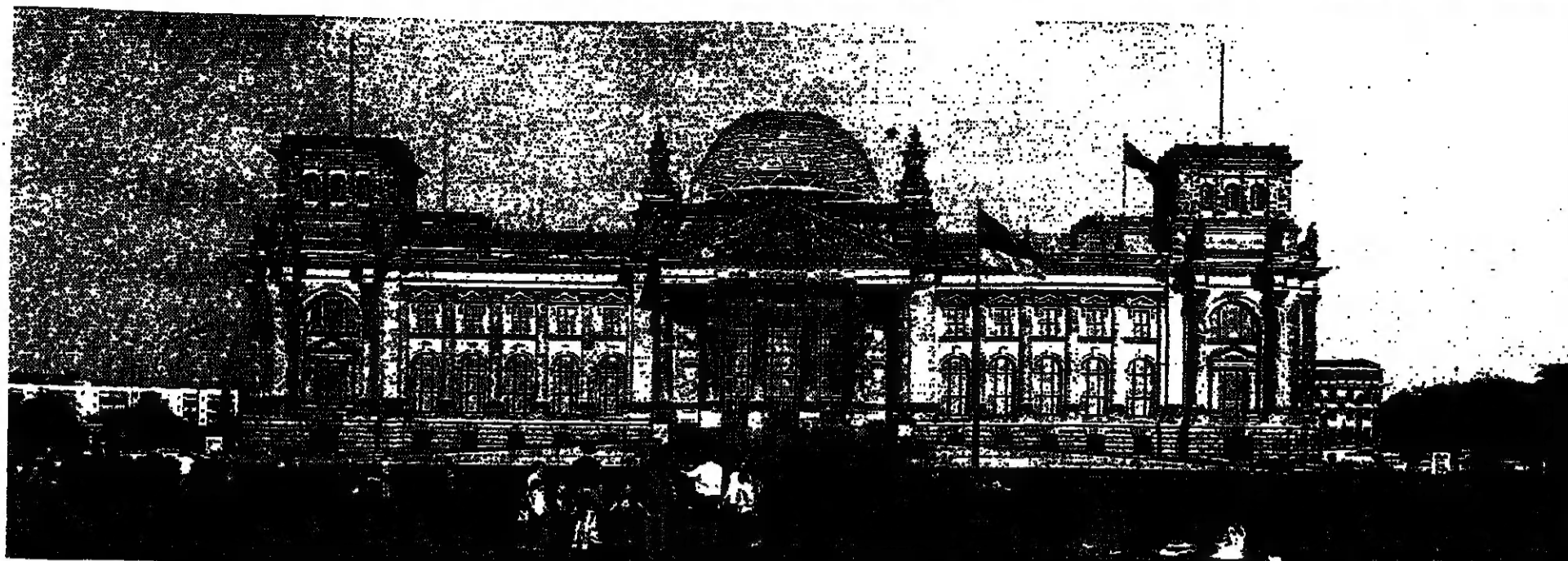
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John, in 1990





## At the democratic heart of the new Germany

Sir Norman Foster, the British architect picked to redesign Berlin's Reichstag, tells Judy Dempsey he has a sense of wonder about the city

**B**erliners have an opinion on everything. They also like to complain. Ask them what they think about the Reichstag becoming the new seat of the German government when parliamentarians eventually move to Berlin in the late 1990s and they will opine about the cost, estimated at around DM15bn. Then they will question how democratically elected deputies dare reconvene at a place indelibly associated with some of the darkest periods of Germany's past.

In spite of the controversy, Sir Norman Foster, the British architect who won the competition to redesign the building, still retains a sense of humour as well as a sense of wonder about the city.

"If you look at what has happened in Berlin since unification [in 1990], it is miraculous. It is faster and more precipitous than anyone's wildest dreams. It's a bit like watching Nigel Mansell with his foot on the floor going around the Grand Prix circuit and asking why can't he go faster."

It is not difficult to see what Sir Norman means. Berlin resembles a giant building site; new buildings emerge from the rubble, and new rail, underground and bus networks link the former divided city. Public attention is focused on the Reichstag and, in designing the building, Sir Norman is designing the democratic heart of the new Germany.

The Mancunian architect has an impressive track record for taking on the task: he was the designer of the Hongkong and Shanghai Bank building in Hong Kong, the acclaimed Stansted airport in Britain, and the

Commerzbank headquarters in Frankfurt. Yet he never thought a British architect would be awarded the job of redesigning the German parliament. Sir Norman, sitting in a bright, vast office with high ceilings a hundred yards from the Reichstag, said he believed it was "inconceivable that someone could seriously consider giving the responsibility for a new German parliament to British architects. It seemed such a long shot."

But with a bit of persuading from his wife, he visited Berlin to reconsider. He listened to parliamentarians and planners. He found out what was important to them. "My doubts were shaken. I was soon fired with enthusiasm. It must be one of the most important projects in the world today. And I think we were inspired by that."

Sir Norman set to work with his team of 51 architects and a budget of DM600m. The central philosophical thread running through the project over the past two years - and two completely different designs - was the need to make the Reichstag accessible and democratic.

Yet the primary influence upon his design was the symbolism and historical significance of the Reichstag.

The history of the Reichstag has so many interpretations. It was about the birth of Nazism but in many ways it was also about the death of it. It contains so many layers of history, it has also been the scene of extraordinary celebration and optimism.

The democratic defenders of the Reichstag, which was designed in Italian Renaissance style by Paul Wallot and completed after a decade's build-

ing in 1894, rarely had a chance to use it as a forum for free debate.

Hismarck, who never crossed the threshold, loathed it, preferring the deputies to continue meeting in the old state porcelain factory, Hermann Goring and Josef Goebbels arranged to have it burned in 1933. The Allies bombed it in late 1945. The interior of the burnt-out shell was finally restored in east German communist style between 1969 and 1971. Bequeathed to Sir Norman was an asbestos-infested edifice whose internal structure bears no resemblance to the original designs.

Despite this troubled history, Sir Norman says his proposals for the Reichstag owe a great deal to the original generosity of the space.

He will rebuild the facade around the courtyard, introduce natural light through an elegant light house capped by a dome, and modernise Wallot's natural ventilation system.

"What we are doing involves a very delicate intervention with the past. It is about bringing back the qualities of the old earlier spaces and in the process creating some dynamic new ones. It is very much about dealing with the historic fabric, rediscovering the building, the quality of the materials, and the craftsmanship. In that sense, we are traditionalists."

Yet the emphasis on accountability and openness that united Germany's new parliament must have its never far from his mind. "The whole scheme begins by placing everyone on the single democratic level - the historic first floor [the original location of the debating chamber] where government is seen to be open and accessible," he



explains.

Sir Norman wants the building to be accessible to the public in another way as well. The public should have the benefit "of one of the best viewing platforms in Berlin. When you get on the roof of the Reichstag you have a breathtaking view of the city. It is an incredible vista. And aside from just the sensual satisfaction of surveying the scenery, symbolically to be able to wander freely and have a meal up there, to ascend a viewing platform which is metaphorically and physically above the debating chamber, above the politicians, is indeed powerful stuff. And to mix freely with politicians and to enter the front door, through the grand staircase is to

rediscover the historical roots of the building."

Yet Sir Norman admits that an "equal amount of energy has gone into security. You cannot get into the same lift as the politicians when moving to different levels of the building. No chance! But the security is not advertised by iron bars and spikes. It is very discreet."

The debate about when, and at what cost, the government will finally move to the German capital has been far from discreet. Sir Norman and his staff seem non-plussed by the debate. Doubtless, Berliners would complain if the timetable were to be postponed. But they might also even grow to like and respect the Reichstag.

## John Palmer: weighing up competition and protection

No one will have more questions to answer about the collapse of Canada's Confederation Life than John Palmer, writes Bernard Simon. Although he has been nowhere near the insurance industry in recent years, Palmer was named Ottawa's superintendent of financial institutions less than 24 hours after the regulator seized control of the beleaguered insurance group on August 11.

Palmer, aged 50, is currently senior partner in the Toronto office of auditors KPMG Peat Marwick Thorne. He has overseen audits at some of Canada's big banks and trust companies, but his main job over the past year has been to reorganise the firm's public-sector practice.

One former Peat Marwick colleague describes him as "very energetic, and very concerned to do the right thing. He's a little bit on the introverted side, but not badly so". Despite his limited experience in financial services, Palmer ascribes his appointment to his management experience, a "good working knowledge" of the financial industry and a "good reputation" in the financial community. His predecessor was also plucked from the auditing profession.

One of the main issues in the Confed debacle is whether the superintendent's office acted firmly or early enough to prevent Canada's fourth-biggest insurer from sinking under the weight of sour property loans.

Palmer describes regulatory intervention as an elusive question: "How do you intervene early enough to protect policy-holders and depositors, but still maintain a competitive industry?" he asks.

Confed's failure comes on the heels of the virtual annihilation of Canada's trust industry, which was also dragged down largely by ill-advised forays into risky commercial property. These events are bound to increase pressure for tighter supervision of financial institutions.

Palmer indicates however, that he will take a "balanced approach". Over-regulation, he says, could stave financial institutions of outside capital. "I'm not panicking about the insurance industry. Everything I've seen suggests that the Confederation situation was quite isolated."

Such caution suggests that the new superintendent will avoid radical changes. "I have some prejudices, but they're largely based on anecdotal evidence," Palmer says. His first job, he insists, will be to expand his knowledge of the industry by talking to the main players.

## Cargill looks outside family

Ernest Mielek, the new president of Cargill, is neither family nor a trader, two deficits that in another time might have kept him from being next in line for the chairman's office, writes Laurie Morse.

Cargill, the secretive commodity merchandiser whose tentacles reach into remote corners of the globe, was built on the canny skills of its traders, who long have been the masters of the company's universe.

However, with flat global trade in bulk commodities, Mielek's appointment is viewed as a shift toward the company's higher-margin commodities processing arm and its future in food marketing. Mielek, 58, has spent his 35-year career building Cargill's food processing operations, including its highly profitable corn-milling division, which makes sweeteners for soft drinks and is expanding into the ethanol business.

Last year, the company had profits of \$348m on \$470m in sales. Mielek's appointment as president puts him in a logical position to succeed Whitney MacMillan, the 64-year-old great-grandson of one of the company's founders who has served as chairman for 17 years.

MacMillan plans to retire next year, and with few family members waiting in the top executive ranks, a lifetime Cargill executive with upper mid-West roots may prove to be the best substitute. Another contender is David Ralsbeck, the 44-year-old head of Cargill's trading sector, who was given a seat on the board when Mielek was made president this month.

## Cheng returns to family

Edward Cheng, executive director of Wharf Holdings, the Hong Kong conglomerate controlled by the late Sir Y.K. Pao, is to quit after seven years with the company to take up a position in his family business, writes Louise Lucas.

Cheng, who led the conglomerate's efforts to secure a publicly-declared long-term debt-rating back in March - making Wharf the first Hong Kong conglomerate to attain such a rating - was responsible for group finance and corporate affairs, as well as the group's hotels business.

His finance duties will be picked up by Quinn Law, a non-executive director of parent Wheelock who is currently in charge of corporate control and treasury operations at Wharf.

## MEDIA FUTURES

## Electronic poser for copyright laws

**I**nternet devotees will get a gleam in their eye as they extol the joys of "surfing the net" - the practice of wandering through the millions of data bases, files and message groups proliferating on this self-regulating global web of computer networks and electronic mail systems.

Travellers in this virtual world will tell you that almost anything is available on the Internet. Sitting at their desks hacking away at their keyboards, they can access recipes, copies of national legislation or, if they're lucky, soul mates.

Lately, some Internet users have been able to find copies of word-processing programs or computer games. Some software is put on the system as "freeware", information that is in the public domain.

However, copies of commercial software are also available, without their high street price tags. For less than the cost of an international phone call,

users are able to log on and download programs from the Internet on to their own computers.

Software authors, the companies that sell the programs and governments view the growing practice of exchanging copyrighted software via the Internet as computer piracy.

In a case now before the courts in the US, the US Attorney's office in Boston, Massachusetts has indicted David LaMacchia, a student at the Massachusetts Institute of Technology, for conspiring to make an estimated \$1m in copyrighted business and entertainment computer software available on the Internet.

Between November 1993 and January 1994, LaMacchia, who is charged with criminal wire fraud, is said to have operated a bulletin board service out of MIT computer work stations.

He is alleged to have invited users around the world to post commercial software on to the bulletin board for exchange with other users.

The case, which is up for further pleadings at the end of this month, exposes the difficulty of prosecuting crimes under copyright infringement and fraud laws which were not set up to deal with developments in electronic communication.

**L**aMacchia is protesting his innocence on the grounds that he did not personally copy any software on to the Internet bulletin board but merely operated the system in which others made copies.

"He is no more liable for what people do on the system than somebody who runs a telephone network is liable for what people say on the telephone," said Harvey Silverglate, a Boston attorney representing LaMacchia.

Catching those who actually copied software from LaMacchia's bulletin board could be almost impossible. "You may not know who the people who are copying the material are,

or where they are from," said Mark Sherwood-Edwards, a solicitor at Simon Olszang in London. "It would be difficult to say where the copyright infringement took place. Right now the laws are jurisdictional but the Internet is global."

LaMacchia's lawyers believe the case should be dismissed because to try him would entail "stretching and mangling" US law. They claim LaMacchia's alleged activities on the Internet are not covered by the criminal statutes for copyright infringement or wire fraud.

Harvard Law School professor Laurence Tribe, a specialist in US constitutional law and the legal ramifications of technology, said inadequacy of current laws to deal with copyright infringement on the Internet did not in principle create rights to free software.

On the other hand, he said LaMacchia's case was being manipulated to fit existing statutes. "It seems like they are trying to fit a square into a

round hole," he said. "I think the situation calls for action at the legislative level, rather than on a case by case trial."

Software companies, however, believe they can cut down on Internet piracy by going after individual cases.

"Last week we took down an Internet bulletin board where our software was being copied," said Harrison Colter, a lawyer for Novell, a software manufacturer which recently merged with WordPerfect.

"The companies know that such policing will not get rid of software piracy altogether. 'No one is naive enough to believe that copyright infringement can be eradicated from the Internet,' said Ed Morin, head of Novell's anti-piracy team. "But we will aggressively go after pirates, and if they think they can get away with it they need to know what the penalties can be. It could be jail time or heavy civil fines."

Motoko Rich

## A Newbie's guide to Internet lingo :-)

The most mild mannered person can become reckless and aggressive behind the steering wheel of a car. Computer keyboards, it seems, often have a similar effect. People who would not dream of using epithets in casual conversation, swear outrageously when exchanging electronic messages.

For novice drivers on the information highway, this can be quite a shock. A naive question, calling for advice, is likely to receive a sharp response such as "RTFM" (read the \*\*\*\* manual) or, if you are lucky, "Read the FAQs" (frequently asked questions) from a more experienced traveller who is not happy to be stuck behind a "Net Newbie" (a learner driver). The Net might be the new open space of global communications but its actually structured by a highly developed etiquette and snobbery.

To avoid confrontations, keep a smile on your face. This can be achieved quite simply by typing :-:) at the end of your messages. Turned on its side, this looks like a pair of eyes, nose and a smiling mouth.

Over the years, "smileys" as they are called on the Internet, have become increasingly elaborate. There is :-:) for winking and :-:) a smiley with a mustache. :-x means "my lips are sealed" and :-:) is a punk rocker.

If you are feeling :-:) and lonely, the Internet is a great place to meet MOTOS (members of the opposite sex)

AND FOR THE INTERNET YOU'LL NEED THIS BRIEF LIST OF COMMON ABBREVIATIONS



should never send a message on the Usenet (user network) that you don't want thousands of people to read IMHO. It is in the PD (public domain) and YOYU (you own your words).

If you want to make an impression on the Net, don't spend \$ (money) on designer jeans, just make up your own acronym and use it as if everyone else ought to know what it means. As an example TOD (the other day) will do quite adequately. If you do not know what you are talking about, do not be dissuaded from corresponding with thousands of other Net users. There are three marvellous words that can be substituted for any word: foo, bar and foobar. These are used as generics, as in "The foobar Times, what's it called again?"

An important rule is always to have some comment to make. It is called the Ob-, such as the Objoke, the obligatory joke. This is not to be confused with the OS, the computer operating system, which is far from funny and can easily become the subject of a lengthy and highly technical "Net exchange".

Getting "flamed" is a rite of passage on the "info highway" a term that is BYW (by the way) de rigueur among REAL Netters. It is not too difficult to incite such personal attacks.

A sure way to set the Net afire is to send messages suggesting that it is populated by people who can't spell and whose grammar is poor. This, of course, is true - but it is not a nice thing to point out IMHO.

or MOTAS (members of the appropriate sex). Get too personal, however, and you may be told LJBF (lets just be friends), or CU (see you).

Since the Internet is a place where everybody has an opinion, there are shortcuts to expressing them. IMHO is perhaps the commonest net acronym, meaning "in my humble opinion". It is humbly used in a far from humble manner.

BTW (by the way) you

## In brief

□ Singapore unveiled its high-tech "court of the future" last Friday and a judge said the use of computers and video conferencing could halve the time it takes to hear a case.

The scheme could also save taxpayers money and child witnesses the trauma of appearing in open court.

The Subordinate Courts unveiled the project, known as Court Vision 21.

A district judge presided over a mock trial which used dial-up video-conferencing, voice-recognition transcription systems, pen-based computing and other multimedia applications.

"The legal aspects will have to be looked into," said district judge Adrian

Soon. For instance, delivery of testimony via video is not now admissible. However, he believed courts of the future could hear twice as many cases a day if fully automated.

Wes Teck Hin, head of information systems at the Singapore National Computer Board, said the demonstration aimed to satisfy the three main objectives of the court of the future: paperless systems, instant transcription of evidence and the giving of testimony by video transmission.

The trial used "litigation support software", allowing evidence and exhibits produced in court to be called up almost instantaneously on the judge's personal computer in his chambers.

Another piece of software, "SING" (Sentencing Information Guide System), allows instant storage and retrieval of documents in text, video, image and voice.

The project is being conducted by the Subordinate Courts, the computer board and several suppliers.

■ NEC Corp., the Japanese computer group which holds more than 50 per cent of the country's personal computer market, said last Friday that it plans to market in Japan a video-on-demand system, in which users can call up videos through their computers.

The system, to be available early next year, will employ technology acquired from Startlight Network Inc., a small US

software concern based in California.

Even with modifications by NEC, the Startlight Network technology enables video transmission to only 200 users, so NEC plans to target business customers to start.

In video-on-demand, users can call up, via their computer terminals, any video that is offered by the system. Branch offices of a company, for example, could gain immediate access to a company news video produced at headquarters.

In the future, the technology could enable people to watch the latest video release at home without having to go out to their local video hire store. NEC also said it believed the system would generate demand as a teaching aid in schools.



## Vietnamese airport

## Polars in Polars

Denver International Airport, the opening of which has been long delayed, not into further trouble last week with reports that there may be problems with the way its runways were built.

Allegations last week from the University of Colorado-Denver that some of the runways had developed hairline fractures were dismissed by the airport. It said: "We are strongly confident that its runways were built right."

The airport's opening has been delayed by a string of setbacks including difficulties with an automated baggage handling system.

**Philippine Airlines**

**T**he striking grooved staff at Philadelphia Airlines left their pickets and returned to work last Friday for consultations with a Labor Department adviser, union and management officials said.

Management will take back the strikers without retaliatory action. The airlines will also take back 40 color operators who led a June 16 strike, until their cases have been decided by the Labor Department.

## Customer Satisfaction

Australia's Carling, a brewer that unveiled plans for a facelift to improve services and make it more competitive with other leading Asian carriers before the company's flotation next year.

Changes include new cabin layouts for the entire Carling fleet of 124 aircraft, decorated with Australian themes and features, as well as the new staff uniforms.

Carling managing director James Strick described the changes as the biggest since the airline introduced the livery jet to its fleet more than 20 years ago. Mr Strick said the changes would be introduced over the next year.

### Filterrail disruption



Transportation in Britain today may be changed by the advent of a working jet

airplane and rail system.

This device is part of what has turned into one of the most bizarre and ambitious schemes since the great days of the "wild west" when the world was to be made a lawless and lawless place for citizens to survive.

British Rail is working a significant improvement of the current situation. The

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On North Atlantic routes Continental of the US scores well, beating Virgin Atlantic and the UK on all counts except for in-flight entertainment.



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## ARTS

## OPENINGS



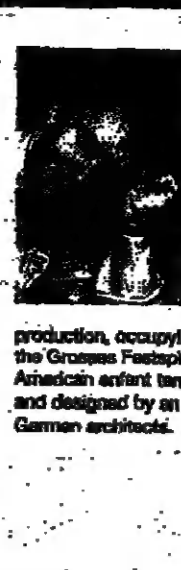
## EDINBURGH

Last chance tonight at the Edinburgh Festival for dance-lovers to see Mark Morris's (left) life-enhancing "L'Allegro" at the Festival Theatre; Lucinda Childs and Merce Cunningham bring their companies to the Festival this week as well. There will be three performances of Peter Stebbins' seven-and-a-half-hour production of Aeschylus's "Oresteia" trilogy in the Murrefield Ice Rink. Performed by a Russian cast of actors in their native language, this staging has been touring the world for several months. Other festival-drama the week includes Stephen Braunschweig's production of "A Winter's Tale", performed in French by the French National Drama Centre in Orléans; and the Abbey Theatre, Dublin, in Patrick Mason's staging of one of J.M. Synge's lesser-known plays, "The Well of the Saints".



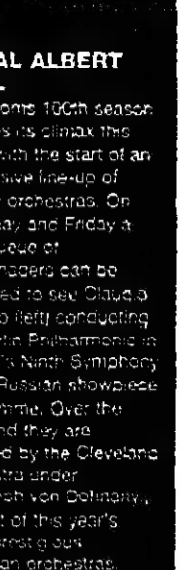
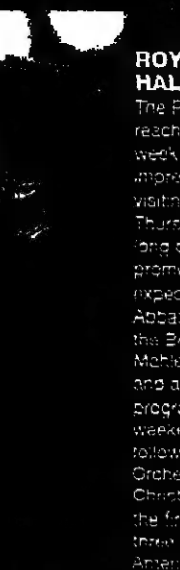
## LONDON

The Rattigan revival continues. After recent revivals of such plays by Terence Rattigan as "The Deep Blue Sea", "Separate Tables" and "The Browning Version", his famous drama "The Winslow Boy" returns to the West End this week. Peter Cawthra takes the role played by Robert Dornell in the movie version. Myra Dornell co-stars (left). Wyn Jones directs.



## SALZBURG

Gerard Mortier has saved the biggest gamble of this year's festival until the end - a staging of Stravinsky's "Capriccio" and Symphony of Psalms, which receives the first of three performances tonight. The production, occupying the vast expanse of the Grosses Festspielhaus, is directed by Austrian avant-garde Peter Goller (left) and designed by an avant-garde son of German architecture.



## ROYAL ALBERT HALL

The Proms 100th season reaches its climax this week with the start of an impressive line-up of visiting orchestras. On Thursday and Friday a long queue of promoters can be expected to see Claudio Abbado (left) conducting the Berlin Philharmonic in Mahler's Ninth Symphony and a Russian showcase programme. Over the weekend they are followed by the Cleveland Orchestra under Christoph von Dohnanyi, the first of this year's three grand tours of American orchestras.

## The remarkable Mark Morris

Clement Crisp on the American choreographer's L'Allegro at the Festival Theatre, Edinburgh

It is one of the most encouraging and most imaginative things about the Edinburgh Festival that it should have established a special relationship with Mark Morris. This year brings his third consecutive appearance at the Festival. And this year Lothian Regional Council and the Foundation for Sports and the Arts have initiated an educational project (funded by ScottishPower) which will provide classroom sessions and

further involvement with the Morris company to children and older students. There is talk of another Morris visit next year. Such patronage and Festival support argues a sense of responsibility and respect for a major artist - and his public - which can bring wonderful rewards.

Morris' offering this year is that luminous L'Allegro, il Penseroso ed il Moderato which he staged as his first offering when he took up residence in Brussels in 1988. Morris was not the man for the Brussels public, banking after that other Maurice (Béjart) who had been their dance-guru for a quarter of a century, but the Morris opera house, where he was installed as Béjart's successor, provided a fine stage and tremendous musical forces. Morris seized the moment. His affection for - and wonderfully imaginative response to - baroque music could

be properly satisfied with the means he had gained. So he chose to realise L'Allegro ed il Penseroso, Handel's setting of Milton (in the admittedly somewhat compromised version made by Charles Jennens, whose advocacy of moderation provides some earnest but blessedly brief verisimilitude for it). The resolute piece, given in December 1988, was a joy, and I reported on it with great pleasure.

Here was a choreographer, already remarkable for his ability to clothe music with sensitive movement, at full stretch, grandly responsive to an important score. Now L'Allegro has been brought to Edinburgh, in two performances at the Festival Theatre at the weekend, with the Scottish Chamber Orchestra, the Edinburgh Schola Cantorum, and soloists under Gareth Jones - and it looked splendid indeed. The Brussels' designs have been retained.

Adrienne Lobel's succession of gazes turn the stage into a magical arena where blocks of pure colour are both dramatic and allusive. James Ingalls' lighting is a marvel in illuminating the dance while still creating atmosphere. Christine van Loon's clothes are simple, always apt, lightly flowing.

An uncompromised clarity is the most obvious quality of Morris' dances for his cast of 12 men and 12 women. The effect comes from his decision that words should find immediate theatrical life in gesture and movement, that as a voice sings "ivy-crowned" dancers will briefly sketch a crown on their heads, that "jest and youthful jollity" should mean just that in steps and capers. Morris is looking back to those "music visualisations" which were part of the first naive stirrings of American Modern Dance, but his manner places such genuine innocence within a vastly sophisticated context.

At his most powerful and most searching, the images open out on to the European pastoral tradition, and to much older ideals about dance. His hunting scene, inspired by "To Listen how the hounds and horns/Cheerily rouse the slumbering morn/From the side of some bear hill", reaches back to Renaissance festivities, as dancers impersonate trees, hill, hounds, quarry. The closing ring dances evoke those theological ideals of celestial harmony which occupied the Fathers of the church. Morris' choreography renews the past for us with a radiant assurance it is effortlessly both then and now.

In everything Morris respects words as well as score. Clear textures, quickly passing imagery, a certain modesty of means - no bravura, no riddance - are the keywords to the work. The swishes of group dances which place the piece to its close - chains, rings, long lines of simplest movement - are powerful evidence of his command of effects. Here we see him, in Milton's words, "Unwinding all the chains that tie/The hidden soul of harmony". Morris clothes the hidden in beautifully visible dance. Harmony reigns.

The musical performance under Gareth Jones was stylish. The singers were pleasing - though in a work where every word counts so that we may savour what Morris does with it, I wish that diction had been uniformly exact. The Morris company dancers were dedicated, and very fine.

Prom/Anthony Bye  
Lightweight tribute to Sir Henry

When, over 60 years ago, Sir Henry Wood confronted an unsuspecting Prom audience with the world premiere of Schoenberg's five orchestral pieces, his reaction was decidedly frosty. Even today one can well sympathise: Schoenberg's Expressionist masterwork has lost none of its explosive force and capacity to unsettle. Indeed, he might well have subtitled it "Fantasia on themes by Freud", such is the unswerving accuracy with which he translated modern man's deepest anxieties into vivid musical images. Its reception at last Friday's BBC Symphony orchestra Prom, designed as a 50th anniversary tribute to Sir Henry, proved, however, to be a much more sanguine affair.

No doubt Andrew Davis's rather lightweight direction, a model of misplaced propriety, have something to do with it, minimising Schoenberg's abrupt juxtapositions and some eruptions of some unmitigated violence and bringing consolation, where, none, surely, is meant. At times, one could even detect definitives with Elgar's funeral march from "Granada and Diarmid" which began the concert.

Unsurprisingly, such affinities are hardly to be found in Vaughan Williams' Serenade to Music, that great celebration of Shakespeare, music and the cream of Britain's inter-war singing talent. If one can never hope to recapture the unique, irreplaceable qualities of Sir Henry's original cast recording, Davis and his chosen 12 were still able to let VW's luminous music weave its spell, with each little solo beautifully etched yet subservient to the glowing colours of the whole.

Given the right soloists and a sympathetic conductor, the VW more or less plays itself. I'm not sure whether that's true, or at least, ought to be true of Beethoven, whose 7th Symphony was selected for the concert's second half. Maybe in his choice of ultra brisk tempo, Davis was aiming for some of the fiery brilliance with which the infirm Sir Henry, at the last concert he ever conducted, was reported to have imbued the work. Davis turned the symphony into a remorseless and Tenebrae, more an apocalypse than the "apotheosis of the dance" which Wagner dubbed it. It's a view, I suppose, but one which robbed the work of its internal tensions and releases. It was an interpretation not enhanced by Davis's unsettling habit of raising imploring eyes aloft, as if offering up prayers for a safe deliverance, luckily, one only occurred: Sir Henry's grandiloquent orchestration of Rachmaninov's C sharp minor Prelude, complete with organ and five percussionists, a bizarre exercise perhaps, but further testimony to the versatility of a man whose vision and practicality we all have much to be grateful for.



Mark Morris Dance Group's L'Allegro, il Penseroso ed il Moderato: Morris clothes the hidden in beautifully visible dance. Harmony reigns.

With the arrival of the European Community Youth Orchestra the platform at the Usher Hall was a blaze of colour. The twelve flags of the member countries were on display and regulation attire for the ladies of the orchestra was bright blue dresses and stoles decorated with European stars, as though each had been wrapped in the Union flag before coming on.

What a lot of blue there was, too. About three-quarters of the EGYO's present membership are women, the heavy brass and double-bass sections seeming to be the only remaining bastions of male dominance.

No doubt the administration wants as many youngsters as possible to have a chance of taking part and the size of the orchestra is huge, including so many string players that there was barely room for them on the stage.

The orchestra's summer tour is split into two parts: smaller venues are getting a Bartók and Mahler programme under James Judd (the

ECYO's Artistic Director), while major festivals such as Salzburg and the Proms warrant Carlo Maria Giulini, who is conducting Brahms symphonies. For Giulini, a visit to the Edinburgh Festival must seem a sentimental affair, as this was the scene of his British debut back in 1955.

Forty years on, his conducting style has become more notable for its gravity of expression than any youthful spontaneity. With the massive army of strings at his disposal, these were always going to be weighty performances anyway. It would be rash to claim that the EGYO is up to professional standards (student bands rarely manage to produce a sophisticated quality of sound and there were some raw noises here) but it man-

ages an impressive unanimity of ensemble, given the numbers involved. Indeed, there are major orchestras which might be less responsive to Giulini's indulgent phrasing of the Second Symphony. His Brahms now goes very slowly and the richly lyrical playing that he likes is not enough to make up for a debilitating lack of momentum. In the

Fourth Symphony, there was some good solo playing to hold the attention - first flute and clarinet both wanting to make real music - and Giulini's muscular rhythms in a work where every word counts so that we may savour what Morris does with it, I wish that diction had been uniformly exact. The Morris company dancers were dedicated, and very fine.

After Edinburgh and a Saturday night appearance at the Proms, the EGYO is heading off to Germany and the Netherlands. Presumably the young musicians of four other countries will soon be hoping to join, which will mean still higher standards and even more stars on the designer evening wear.

## Young stars out on an Edinburgh night

Richard Fairman assesses the European Community Youth Orchestra

INTERNATIONAL  
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GUIDE

## BERLIN

● The 1994 Berlin Festival (Aug 30-Sep 29) includes performances by the Berlin Philharmonic Orchestra under Abbado, Baranboim, Boulez and Tennstedt, plus recitals by Pollini, Brendel and Christa Ludwig, and a focus on the music of Berthold Goldschmidt (030-2548 8250).  
● St Petersburg's Maly Theatre gives performances at the Volksbühne am Rosa Luxemburg Platz from Sep 1 to 4 (030-282 3394).  
● Maximilian Schell stars as Professor Higgins in a German-language staging of My Fair Lady directed by Frank Dunlop, daily except Mon at the Schiller Theatre (030-313 5031).  
● Daniel Barenboim conducts the Orchestra and Chorus of the Staatsoper unter den Linden in an outdoor performance of Verdi's Requiem at the Waldbühne on Sep 2. The Staatsoper opens its new season on Sep 3 with the first of three guest performances by Roland Petit's Ballet National de Marseille.

(030-200 4762)  
● The Deutsche Oper reopens on Sep 1 with a revival of Albert Reimann's Kafka opera Das Schloss. The opening week also includes Un ballo in maschera, Madama Butterfly and Katya Kabanova (030-341 0249).

## COLOGNE

Philharmonie Thurs: Seiji Ozawa conducts Salto Kinen Orchestra in works by Stravinsky and Tchaikovsky. Fri, Sat: Hans Vork conducts Cologne Radio Symphony Orchestra in Schumann and Bruckner, with cellist Heinrich Schiff. Sun, next Mon and Tues: James Conlon conducts Gürzenich Orchestra in Bruckner's Ninth Symphony (0221-2801).

## DRESDEN

Semperoper The new season begins on Fri with a revival of Hans Hollmann's production of The Cunning Little Vixen conducted by Wolfgang Ranner. This is followed on Sat by Capriccio with a cast headed by Marietta Kemmer, Theo Adam and Alan Titus. The Dresden Staatskapelle gives concerts under Giuseppe Sinopoli on Aug 28, 29 and 30, and under Colin Davis on Sep 4, 5 and 11 (0351-484 2323).

## FRANKFURT

The Frankfurt Festival opens at the Alte Oper on Fri with a concert by the Frankfurt Opera Orchestra conducted by Stefan Soltesz, featuring the world premiere of Luca Lombardi's Third Symphony. Kurt Masur conducts the Leipzig Gewandhaus Orchestra on Sat and

Sun, followed next Mon by the Royal Concertgebouw Orchestra under Riccardo Chailly. Other visitors to the festival, which runs till Oct 3, include the Israel Philharmonic under Solti, the Chamber Orchestra of Europe under Rosdestevsky and the Los Angeles Philharmonic under Salonen. Recitalists include Anne Sophie Mutter, Midori and Mitsuko Uchida (089-134 0400).

## GENEVA

The final events in the summer concert series organised by the city of Geneva are a samba night at Théâtre de Verdure this evening, followed by The Georgian's Big Band on Wed. The Swiss Consort plays a Vivaldi concerto programme at Cour de l'Hôtel de Ville on Sat (022-786 5545/022-312 4353). The 1994-5 season at the Grand Théâtre opens on Sep 12 with a new production of Idomeneo, staged by Christopher Alden and conducted by Armin Jordan (022-311 2311).

## HAMBURG

David Merick's musical 42nd Street runs daily till Sun at the Deutsches Schauspielhaus (040-248713).  
● Hamburg's annual music festival runs from Sep 4 to 18, with a special focus on Schumann and Paul Dessau (040-354414).

## NEW YORK

THEATRE  
● Three Tall Women: a moving, poetic play about a widow, dominated by the huge, heroic

performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 78th St, 239 6200).  
● Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millennium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200).  
● Perfect Crime: Warren Marz's long-running thriller about a wealthy psychiatrist accused of murdering her husband, and the small-town detective who tries to prove she committed the perfect crime (Duffy, 1553 Broadway at 48th St, 895 3401).

● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Final week (Richard Rodgers, 226 West 48th St, 907 4100).  
● Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200).  
● Tommy: a musical written and composed by Pete Townshend, based on the 1969 rock opera by The Who, about a withdrawn young boy who becomes a pinball wizard (St James, 248 West 44th St, 239 6200).

Alban Berg Quartet. Christoph von Dohnanyi conducts the Cleveland Orchestra on Thurs in works by Bach/Webern, Stravinsky and Mahler, with violin soloist Christian Tetzlaff. Lorin Maazel conducts the Pittsburgh Symphony Orchestra on Sun in works by Brahms and Ravel. The festival runs till September 25 (07141-939610).

Alban Berg Quartet. Christoph von Dohnanyi conducts the Cleveland Orchestra on Thurs in works by Bach/Webern, Stravinsky and Mahler, with violin soloist Christian Tetzlaff. Lorin Maazel conducts the Pittsburgh Symphony Orchestra on Sun in works by Brahms and Ravel. The festival runs till September 25 (07141-939610).

## VIENNA

● The Roman ruin in the park of Schönbrunn, the former residence of the Hapsburgs, provides an open-air venue for the Vienna Kammeroper's summer productions. The season ends this week with performances of Don Giovanni (01-513 0851).  
● This is the final week of Klangbogen, Vienna's summer concert series. Heinz Prammer conducts the Czech Symphony Orchestra in a Smetana and Dvorak programme tonight at Rathaus Arkadenhof. Vladimir Fedoseyev conducts the Moscow Radio Symphony Orchestra in a Russian programme at the Musikverein on Wed. Fabio Luisi conducts the Tonkünstler Orchestra in a Brahms and Liszt programme at the Musikverein on Thurs. Martin Haselböck conducts the Wiener Akademie period instrument ensemble and Chorus in Mozart's Requiem at the Augustinerkirche on Fri. The final concert, at the Musikverein next Tues, features Stefan Vladar as soloist in Brahms' First Piano Concerto (01-4000 8410).  
● The Vienna State Opera is closed for renovation till Dec 14. The opera ensemble will tour Japan and then perform Così fan tutte under

Riccardo Muti at the Theater an der Wien, starting Oct 30 (01-58885). The State Opera ballet will appear at the Volksoper in a new production of Lehar's The Merry Widow, opening on Sep 18 (01-44440).  
● The opening theatre productions of the new season are Lessing's Emilia Galotti at the Volkstheater on Sep 4 (01-932778) and Shakespeare's Titus Andronicus at the Akademietheater on Sep 10, the latter directed by Claus Peymann (01-514440).

## ZURICH

Opernhaus The new season begins tonight with the first of four celebrity orchestral concerts. Tonight's programme features the Moscow Radio Symphony Orchestra under Vladimir Fedoseyev. On Wed, Marius Jansons conducts the Zurich Opera Orchestra in works by Mozart and Beethoven. On Thurs, Marcello Viotti conducts the Saarländische Radio Symphony Orchestra in an opera concert with vocal soloists. On Sun, Georges Prêtre conducts the Opera Orchestra in Dvorak and Bruckner. The first opera performance of the 1994-5 season is on Sep 1, when Mara Zampieri, Neil Shicoff and Ruggero Raimondi star in Tosca. The first new production is Mascagni's L'amico Fritz, opening on Sep 9 in Winterthur (01-262 0909).  
Tonhalle The season opens on Wed with the first of three Beethoven concerts conducted by Claus Peter Flor, featuring Rudolf Buchbinder as soloist in the piano concertos. The other two concerts are on Aug 29 and Sep 2 (01-261 1600).

## ARTS GUIDE

Monday: Performing arts guide city by city.  
Tuesday: Performing arts guide city by city.  
Wednesday: Festivals guide.  
Thursday: Festivals guide.  
Friday: Exhibitions guide.

European Cable and Satellite Business TV  
(Central European Time)  
MONDAY TO FRIDAY  
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY  
NBC/Super Channel: FT Reports 1230.

TUESDAY  
Europeans: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY  
NBC/Super Channel: FT Reports 1230

FRIDAY  
NBC/Super Channel: FT Reports 1230  
Sky News: FT Reports 0230, 2030

SUNDAY  
NBC/Super Channel: FT Reports 2230  
Sky News: FT Reports 0430, 1730;



For 20 years, Cynthia and Tony Reavell have run a bookshop in Rye, East Sussex - the kind of shop where visitors browse on rainy afternoons. The recession made life hard, but they fear the next few years may be even tougher.

The reason is last week's announcement by Sir Bryan Carsberg, UK director-general of fair trading, that he was asking the restrictive practices court (which rules whether agreements between companies are anti-competitive) to review the net book agreement - the mechanism which allows publishers to set retail prices of most books and prevent discounting.

As pressure is growing from some retailers and publishers for the agreement to be ended, and many bookshops circumspect, Sir Bryan decided there was now a strong case for it to be dismantled.

The agreement's demise could lead to the biggest upheaval in the UK book trade for decades. Opponents, such as Mr Terry Maher, former chairman of Pinter, the UK's second largest book publisher, say abolishing it would lead to lower book prices, higher sales and a more vibrant industry.

But Mrs Reavell believes that if the court abolishes the agreement, hundreds of shops like hers will no longer be able to compete with price-cutting retail chains. "It would be pretty disastrous," she says. "But we will not go down without a fight."

Since it was first signed in 1957, the net book agreement has allowed publishers to set the retail price of titles they designate "net" books - they currently choose to publish three-quarters of books sold in the UK within the agreement. A retailer selling a book below the net price would risk legal action from the publisher.

Such price-setting by producers was outlawed in most product areas by the Resale Prices Act 1964. But a restrictive practices court ruling in the same year exempted books from the provisions of the act on the grounds that the net book agreement operated in the public interest.

The arguments the court used to justify its 1964 ruling are still employed by the agreement's supporters today. They are based on the notion that books are "special", that their cultural and educational value means the number of bookshops, publishers and titles available must be maximised.

"With the support of the agreement, the UK has possi-

## Jackets come off

Neil Buckley on the row over the UK net book agreement

hly the finest and most competitive retailing structure anywhere in the world," says Mr Clive Bradley, chief executive of the Publishers Association, which represents 80 per cent of publishers.

His association, along with the Booksellers Association, which represents 90 per cent of bookshops, offers grim warnings of what would happen if the agreement were abolished: ● Discounting by larger chains and non-specialist bookshops would reduce profit margins throughout the industry and weaker retailers and publishers would disappear.

● Bookshops would carry nar-

**'We want to attract a lot of people who currently never set foot in bookshops'**

row ranges, and fewer titles would be published.

● Average prices of books would rise. If bestsellers were discounted, publishers and booksellers would put up the price of other books to recoup lost margins.

Opponents of the agreement counter such arguments by pointing out that the book market has changed substantially since 1964. They point to the consolidation that has occurred in book retailing and publishing. Two retailers account for almost one-third of consumer book sales: W.H. Smith, which runs Waterstones, and Fentons, owner of Dillons, Hatchards and Athlone. Many weaker bookshops and publishers have already disappeared, and those that are left, which have invested in new technology and improved their efficiency, are better placed to withstand the end of the agreement.

A still more powerful argument for abandoning the agree-

ment, says Mr Julian Rivers, Dillons group marketing director, is that allowing booksellers to compete on price would increase the size of the book market. "The ability to discount prices would allow us to market far more effectively, and attract a lot of people who currently never set foot in bookshops," he says.

He says the argument that price-cutting on some books would lead to lower margins (with the knock-on effects of higher prices for other books and fewer books being published) is invalid, because it assumes little or no growth in sales. He adds that Dillons' experiments with discounting of non-net books led to a four-fold or fivefold increase in sales of the titles involved.

Which side of the argument is right? In the unregulated US book market, bestsellers are cheaper than in the UK, but the Publishers Association in London says average book prices are similar to the UK's. Moreover, the association says, not as many new titles are published in the US - fewer than 60,000 in 1992, compared with 78,000 in the UK. Opponents of the net book agreement suggest too many titles are published in the UK, often of poor quality.

Whether or not the restrictive practices court rules against the agreement - its decision could be more than a year away - there are signs that the arrangement is already unravelling.

Bargain bookshops are proliferating, including those which specialise in discounted non-net books and end-of-line titles, and retail outlets operated by book clubs, whose membership structure means they are not subject to the net book agreement. US-style warehouse clubs such as Costco are using similar methods to discount books.

The commitment of large publishers may also be waning. Reed, the UK's third biggest, withdrew from the agreement in 1991, and Mr Maher, the veteran campaigner against the agreement, predicts other large groups will follow before the end of the year.

The breakdown of the agreement would make the ruling of the restrictive practices court less relevant, and would remove the cosy certainties of the book industry during recent decades. But if that leads to a period of faster growth in the book selling industry, visitors to Rye - and other small towns - would still have somewhere to spend rainy afternoons.

Russia yesterday commemorated the third anniversary of the 1991 attempted coup when hard-liners tried to stop the Soviet Union from falling apart.

But those Muscovites who braved the rainy weather to join a small pro-democracy anniversary rally invoked little of the euphoria which intoxicated Moscow three years ago as Russians defied the plotters and rallied around President Boris Yeltsin.

Instead of exultation, the dominant mood in the former Soviet Union is of nostalgia. Increasingly, Russians mourn the loss of their empire and non-Russians in newly independent states look back longingly to the days when their lives were constrained, but more economically secure.

Thus, General Valentin Varankov, the only coup leader to choose to go to trial, was triumphantly acquitted this month. With his call for the recreation of the Soviet Union, he has been transformed from villain to hero. Hard-line communists and other conservatives out-shined the pro-democracy rallies yesterday. Similar sentiments provide the power base for the flamboyantly imperialist Mr Vladimir Zhirinovskiy.

And the spectre of a newly emboldened Russia which would seek to reconquer by force the territories lost almost by accident, has not materialised. While the pro-union rhetoric may be getting louder and finding a growing constituency throughout the former USSR, it is apparent that the old empire cannot easily be put back together again.

Overly imperial actions - such as Moscow's quiet backing for pro-Russian politicians in Azerbaijan and Tajikistan; or Russia's pressure on Georgia to abandon its stalwart independence - have been limited to the southern periphery, which Russia is not really sure it wants within its borders.

As far as the Slav heartland is concerned, hit by hit the imperial scare has been replaced by a different perception, one assiduously promoted by Russia itself - that far from Russia pursuing expansionist purposes, most of the states of the former Soviet Union wish to abandon its stalwart independence to re-establish links with it.

This view received great support from the victories, in the Ukrainian and Belarussian presidential elections in July, of Leonid Kuchma and Alexander Lukashenko - both running on tickets of closer union

John Lloyd and Chrystia Freeland on Russia's yen for influence in the former Soviet Union

## The empire that can't fight back



with Russia (in Mr Lukashenko's case, of total union). As these new men gained power, Russia's most distinguished living dissident and author, Alexander Solzhenitsyn, was winding his way through his country by train, bringing to Moscow his long-held belief that at least the Slav states of Russia, Ukraine and Belarus should unite once more.

Mr Alexander Pickering, US ambassador to Russia, noted in a speech in the UK in July that Russians feel that "Russia is *primus inter pares* (that is, among other former Soviet states) by virtue of geography, scale, tradition and some not clearly defined right". Another "right" claimed by Russians, Mr Pickering said, derived from the country's perceived obligation to protect the interests of countries beyond its frontiers - the millions of ethnic Russians abroad.

These two "rights" are strongly felt and strongly asserted: they are a major and inhibiting factor in the politics of the surrounding states as much as they are a matter of often chauvinistic assertion in

Russia. But, crucially, Mr Pickering added a third attribute of contemporary Russians: a "profound scepticism about direct intervention in disputes beyond Russia's current borders".

The point about Russian imperialism is that, at present it remains as rhetoric and is almost certainly designed to be so. The projection of Russian power has shrivelled dramatically. The scale of this can be seen in the fact that, only a year or two after it ceased to be a global superpower, Russia was absorbed in a debate (over-drawn, but real) about whether or not the country would survive in one part even though its borders were already more limited than any time since the 18th century.

Russia no longer has the military, economic or political capacity to service any lust to reabsorb. Further - and as important - the development of nation states in those parts of the Soviet Union that have

broken away is going on willy nilly. Nothing has illustrated this tendency more pointedly than recent events in Ukraine and Belarus. Both country's presidents, having been elected on pro-Russian platforms, have become committed defenders of their nations' independence.

One factor in this metamorphosis is the personal ambition of the two leaders. As one voter reminded Mr Kuchma on the campaign trail, "it is better to be president of independent Ukraine than the governor of Little Russia". But there was also a paradox at the heart of the desire for reunion, as expressed during the election campaigns. Co-existing with nostalgia across the former Soviet Union for the Soviet past, when the republics were part of a single state in which central planning provided a stagnant but reliable standard of living, is another powerful impulse: the determination by the states' governments and many ordinary people to build modern, prosperous market economies.

This second current is inevitably at odds with the first,

primarily because Russia, far further along the reform trail than Ukraine or Belarus, is no longer willing to sacrifice its natural resources or to break its budget for the sake of close family ties with its neighbours. Market reform, which is naturally a decentralising process even in states which stick together, could not co-exist with immediate political and economic reunion.

The December 1991 agreement between the Belarussian, Russian and Ukrainian presidents to form the Commonwealth of Independent States (and thus finally to destroy the Soviet Union) is exorcised by many former Soviet citizens - but they must live with its results. Differing rates of economic development; the establishment of independent foreign and defence policies; the growing expectation on the part of citizens that the national, rather than the former imperial, centre is the effective locus for politics; the vested interests of new national political and bureaucratic elites - all cut against the urge for reabsorption. They make it clear that it would be a vast, costly and probably bloody undertaking.

Mr Grigory Yavlinsky, head of the Yabloko parliamentary faction in the Russian legislature and the most consistent proponent among democrats of a re-union of the former USSR, is a weatherman in this respect. While he still supports "closer economic co-operation" he now believes that the political and defence union, which he once strongly advocated, is no longer necessary.

For many countries, the independence of what had been part of them seemed incongruous at the time of separation: Ireland for the British, Finland for the Swedes, Slovakia for the Czechs. Often the larger country had a point: independence made little economic sense and left resentful national minorities within new borders. But it seems as if, once the national die is cast, the road back is blocked.

If the former "family of socialist peoples" is to meet again under a common roof, the members must spend the same time and energy as their west European neighbours in developing mechanisms and safeguards which ensure at least formal equality in their deliberations. The rhetoric of conservatives notwithstanding, the countries of the former Soviet Union seem as far away from political union as western Europe was after the second world war.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Citizens' rights strong in Russia

From Ms Maria Andruszkiewicz.  
Sir, Chrystia Freeland in her article "Court backs consumer rights" (August 4) claims incorrectly that "the first legal blow in post-communist Russia for consumer rights" was delivered on August 3 1994 when a Moscow court ordered the retailer "Kvikk" to award Mr P Gusev Rb23,318m (5374).

The Moscow Consumers' Union (MCU) caused a minor sensation in the Russian press when they won their first case on behalf of a pensioner who had been sold a faulty refrigerator.

Since then, several hundred consumers have been awarded compensation and damages in individual and class actions brought by member organiza-

tions of the Inter-Republican Confederation of Consumer Societies in Russia and Ukraine. Exasperated Russian airline passengers were greatly cheered when the Consumer Society of Ekaterinburg's chairman sued Aeroflot after a 21-hour delay in a freezing Moscow departure lounge. The Inter-Republican Confederation is now fighting to secure compensation for the families of Russian victims of the Siberian air disaster.

The independent consumer movement in the Russian Federation is one of the most active and positive forces for citizens' rights to emerge in the post-communist era, and one of the few reliable defences against the widespread corruption, speculation and fraud

which characterise the Russian economy at the present time.

While pleased that the Financial Times felt that Mr Gusev's victory merited reporting, I would like to draw attention to the fact that Mr Gusev's success is not the first of its kind. It follows many years of concerted effort by Russian consumer activists who, in Russia's present business climate, work for little remuneration and often at considerable personal risk. They deserve recognition for their attempts to civilise the "Wild East".  
Maria Andruszkiewicz, director, programmes for economies in transition, International Organisation of Consumers Unions, 24 Elphinstone Crescent, London N6 1RX

### Britain needs broadband network

From Mr Jonathan Solomon.  
Sir, John Harper's personal view on the UK superhighway ("Riding tandem along UK superhighway", August 12) deserves national attention.

Society at large, and most immediately within the OECD world, faces a challenge in how to reorganise itself as a necessary readjustment to the shift in comparative advantage in many industrial and commercial sectors to the Pacific Basin and Far East.

The introduction of universal broadband access is one of the essential elements facilitating such a reorganisation. It would also provide the means for the OECD world to create whole new market sectors exploiting broadband applications as yet unimagined, and this would do more to generate new and lasting employment opportunities than much on the current political agenda.

John Harper's recommendation that BT, Mercury, the cable companies and others with an interest in introducing universal broadband access join together to create a national broadband infrastructure separate from their competing service companies is very sound and has a good tradition in the history of international communications.

The carrier community is quite accustomed to joining together to build common international infrastructure, whether submarine, cable or satellite, and to compete sometimes viciously over this infrastructure for customer service. Indeed, Inmarsat and Intelsat were founded by the carrier community and their governments to share risks in introducing what was then new technology with no certain market.

Why cannot the various carriers playing in the UK market do the same to create the UK superhighway and why cannot the UK government and the industry regulator Ofcom provide the necessary incentives?

This is a national question requiring full national debate. Jonathan Solomon, executive director, Strategy and Corporate Business Development, Cable & Wireless plc, London, WC1X 8RX

### Time to call in new rail negotiators

From Mr Peter Bolot.  
Sir, Following 12 days of strikes during the past 10 weeks it seems incomprehensible that Railtrack management and senior union officials cannot agree on a formula to end the dispute.

In the meantime, on strike days, business in central London is having to tolerate even greater traffic congestion than normal and to cope with staffing levels that are reduced any way because of the holiday season.

As we are beginning to emerge from long-term recession the last thing the business community or its customers need is the aggravation of intermittent congestion, disruption and dislocation when using the road and rail systems.

What is lacking at present is good sound leadership. Therefore may I suggest that as those leading the negotiations appear to have run out of ideas, they give way to more inspired people from their management teams to bring this deplorable state of affairs to an end.

Peter Bolot, Westminster Chamber of Commerce, 177 Regent St, London W1R 8DJ

### UK scoreboard is just a starting point for research on company R&D spend

From Mr Michael Kenward.  
Sir, It may help to pass the time for Dr Alan Smith ("Flaws inherent in R&D scoreboard", August 17) and Dennis Henry ("Added value should be real value for R&D", August 1) to shoot holes in the "UK R&D Scoreboard", but they seem to miss the point.

I cannot speak for Company Reporting or the Department of Trade and Industry - I merely write the introduction to the scoreboard in an attempt to provide some light relief from the tables of data - but as a long-time consumer of such data, I see the scoreboard as a beginning rather than an end.

It is yet another source of information that an observer can use when trying to compare and contrast companies.

Alan Smith seems to say that the only thing that matters is added value. He then goes on to say that this is "not something that can be measured easily and quickly". This comes after he accuses companies of accounting for R&D in diverse ways.

Imagine the fun and games that would ensue when trying to agree a definition of added value.  
The way to benchmark companies and their R&D perfor-

mance is to look at their operation in depth, not at tables of numbers. The numbers can, though, be a starting point. You need them before you can ask questions about added value.

Alan Smith says that he is happy to support the R&D scoreboard if it is "going to encourage companies to spend more on R&D".

Surely the point is not to persuade companies to spend more, but to convince them that they should look intelligently at their R&D spending, perhaps with the aid of tools like the scoreboard, to see how it compares with that of others in their sector.

They might then realise that R&D is something that they can manage in the same way that they manage other aspects of their businesses.

Added value is but one way of looking at performance. Many companies look at their performance in terms of quality and "time to market" as much as added value.

They should apply the same criteria to their R&D spending. Michael Kenward, Grange Cottage, Staplefield, Epsom & Ewell, Surrey, RH17 6EL

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3 <sup>rd</sup>	QUANTUM EMERGING	92.40%
4 <sup>th</sup>	GAM WORLDWIDE	75.60%
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## FINANCIAL TIMES

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Monday August 22 1994

## A new deal for Cuba

The tightening of the US economic embargo on Cuba, announced this weekend, is a step in precisely the wrong direction. By further isolating the island, the US is intensifying economic misery in Cuba. This will increase the flood of refugees attempting to leave the island, which will make further difficulties for the Clinton administration. It will also allow Fidel Castro to deflect blame for the country's dire economic circumstances from himself, where it belongs, to Washington.

The present exodus from Cuba should show him that fundamental change must come soon. His dictatorship of 35 years is an anachronism in a continent of elected governments. He has succeeded in extending literacy and reducing infant mortality. Yet in the absence of eastern bloc subsidies and trade, the failure of Cuba's centrally planned economy have become painfully clear.

National income has almost halved during the last three years. An aid agency recently estimated that the average Cuban eats about 1,000 fewer calories per day than in 1989, pushing many towards starvation.

Hardship and repression have caused rising discontent. During recent protests, the worst in the regime's history, demonstrators chanted "freedom" and "Fidel with Fidel".

## Civil unrest

The question is no longer whether change will come to Cuba, but how. There is little cause for complacency on the part of the Clinton administration. Deteriorating conditions will produce increasing civil unrest and a worsening exodus to the US. Presumably, the US sees itself as tightening the economic noose around Castro's neck, creating the conditions for his overthrow. But given the country's lack of democratic tradition, there are no guarantees that a change of regime will mean the advent of democracy.

Already this year, more than 6,000 Cuban refugees have entered the US, twice the number in 1993. Ideological protestations aside, the US is no more interested in absorbing refugees from post-communist turmoil in the western hemisphere than is the EU in accepting refugees from eastern

Europe. The White House has responded to Castro's apparent decision to let Cubans leave with a virtual blockade around Florida.

Rather than encouraging a violent outcome to the Cuban crisis, the US should end its blanket isolation of the Castro regime and offer a series of incentives for economic and political liberalisation. Cuba has taken halting and inadequate steps towards economic reform. The dollar has been reluctantly legalised, and some private enterprise is now allowed. Greater communication with the island would strengthen this liberalisation process. For example, Cuba has granted several US telecommunications companies the right to link the two countries, but they still await the Clinton administration's approval. Cold war regulations restricting Cuban journalists in the US should also be repealed.

## Encouraging reformers

Reformers within the government must be encouraged. The US should end embargoes on food and medicine, and if reform continues, it should permit Cuba's entrance into the World Bank and IMF. Liberalisation needs to yield results, otherwise Castro may be able to blame the reformers for Cuba's economic misery.

US policy is unlikely to change without corresponding movement within the Cuban-American community, long the primary force behind America's uncompromising stance. Although the most powerful Cuban-American organisation, the Cuban American National Foundation (CANF), still supports the embargo, alternative voices are emerging. The newly-formed Cuban Committee for Democracy supports the recently introduced Free Trade with Cuba Act. The Clinton administration's first nominee for under-secretary for Inter-American Affairs, Afro-Cuban Mario Baeza, was blocked by CANF — a blocked appeared too much to dialogue with the Castro regime.

The stand-off between Cuba and the US remains one of the cold war's most painful legacies. The past's scars, however, must not prevent a pragmatic assessment of the present predicament. For Cuba, that means reforms to arrest its political and economic slide. For the US, it means encouraging that to happen.

## A-levels fail the test of time

Britain's A-level examinations, increasingly regarded as a curiosity by the rest of the world, have remained untouched during the past six years, while every other aspect of the school system in England and Wales has been subjected to radical reform. The furious reaction from employers' organisations which greeted last week's A-level results will, with luck, finally convince the government that they need reform. Such reform will be at least six years too late.

The precipitous fall in the numbers taking maths and science has aroused the greatest ire among employers. The decline in both maths and physics was more than five per cent for the second year running, while the numbers with the combination of subjects needed for most university science and engineering courses has dropped by 40 per cent in a decade.

The employers who claim to be so angered by this might consider whether one explanation for the unpopularity of science degrees lies in the pay signals they themselves provide. But they are right to say that A-levels have exacerbated the problem.

By forcing 16-year-olds to choose only three subjects, A-levels entrench specialisation. They make it impossible to gain a sound grounding in the sciences without abandoning arts and the humanities altogether — a step many students are understandably reluctant to take.

## Gold standard

The government's defence, that A-levels are an "educational gold standard", is weak. No system which allows 16-year-olds to drop subjects altogether can be called "gold" by any standards.

However, A-levels have some features worth preserving. They are widely respected, despite the sharp improvement in pass rates of the past few years; they are rigorous; and they are independently assessed. Useful reform can be achieved without compromise in any of these virtues.

Shunning A-level syllabuses so that five subjects becomes a feasible norm for each candidate offers the simplest and most effective way to do this. The level of ac-

ademic rigour would remain the same in each case. Academics believe that a five A-level system could be implemented by cutting the content of each syllabus by 20 per cent, and by reforming the sixth-form timetable so that students spend more time in lessons.

## Mixed economy

With five subjects, sixth-formers could maintain an interest in arts and literature while taking the mathematics and two sciences needed to keep a science degree as a viable option. It would also be easier to operate a "mixed economy" of traditional academic A-levels and vocational qualifications. The government currently hopes that students will consider taking A-levels alongside the new General National Vocational Qualification (GNVQ). Dubbed the "Vocational A-level" by former education secretary Mr John Patten, a GNVQ is intended to be equal in value to two A-levels.

The problem is that it is difficult to take the current unwieldy A-levels alongside a GNVQ. With shrunken syllabuses and five subjects as the norm, however, students could take three A-levels on top of their vocational training. A further worthwhile reform would bring vocational qualifications within the A-level framework, provided they were subjected to a similar level of rigorous external assessment as academic A-levels.

But the chief virtue of this plan is that it needs only incremental changes to the system already in place. This is far preferable to the seismic change which was involved in introducing the national curriculum.

Why has the government held back? Sheer embarrassment must be part of the problem. The A-level system was first proposed by the Higginson report, commissioned by Mr Kenneth Baker when education secretary in 1987. It is still endorsed by universities. But the then prime minister, Mrs Thatcher, promptly rejected its findings when it was published, and it has been gathering dust for six years.

It is now plain that failure to implement the report's proposals at the time was a grievous mistake. But if the government continues to avoid taking action, it will only compound its error.

China's decision last month to sanction a second telephone network means big opportunities for western telecommunications companies, says Tony Walker

China's decision to establish a second telephone network means big opportunities for western telecommunications companies, says Tony Walker

The decision to open the telecommunications sector to competition followed a long and bruising debate within the Chinese bureaucracy. The Ministry of Posts and Telecommunications had fought to preserve its monopoly, but was forced to give ground to a powerful coalition of interests involving three ministries — of the railways, the electronics industry and electric power. These are China Unicom's main partners among 17 shareholders, which include several of China's main state-owned corporations.

China Unicom faces formidable obstacles, however, in "grafting" a second network on to existing facilities in spite of the significant assets brought to bear by the state bodies involved in the project. Both the Ministry of Railways and Ministry of Electric Power presently operate their own communications networks, necessitated by primitive existing telecommunications.

The Ministry of Railways, for example, owns 23,000 miles of above-ground lines, 19,000 miles of coaxial cable and 1,900 miles of optical-fibre cable. Aside from these cable facilities, the ministry, whose reach extends to most corners of China, has set up numerous microwave links plus switching capacity for 400,000 telephone lines.

Likewise, the Ministry of Electric Power owns 17,000 miles of digital microwave links. "All of these private networks have spare capacity which could be made available to the public," says Mr He Fei Chang, director of telecommunications at the Ministry of Electronics, one of China Unicom's partners.

China's need for a crash programme to modernise its telecommunications has not been in doubt for years, but the best means of achieving a more rapid extension of services has been the subject of endless debate since the 1980s. Then it became clear that, unless huge investment was made, the system would continue to fall far short of China's requirements well into the next century.

This debate was sharpened by the publication in 1992 of a comprehensive World Bank study of China's telecommunications sector which found that the country's telephone system is "among the least developed in Asia relative to population size, and service quality is low".

It reported: "Public telephones are virtually non-existent. Networks are heavily congested, making it almost impossible to communicate by telephone during peak business hours." Long queues are experienced in long-distance telephone calls. While some of the world's most advanced technologies are being introduced in the fastest-growing parts of the network, old and obsolete plant is still widespread.

Among the World Bank's main themes was the need for competition. But at that stage the bank did not envisage anything as ambitious as building a second network. Such a bold move would not, in any case, have been possible before China embarked on the latest, accelerated phase of economic reform heralded by a visit to southern China in early 1992 by Mr Deng Xiaoping, the country's senior leader.

Mr Deng, known for his earthiness, gave a simple instruction to local officials, which then became a slogan throughout China. "Do it fast," he is reported to have said in reference to the need for a quick-

China's decision to establish a second telephone network means big opportunities for western telecommunications companies, says Tony Walker

## A ring that sounds like profit

China's telecommunications: the great leap forward

COMPANY	PROJECTS	INVESTMENT
Motorola	Two joint ventures: cellular phones, paging systems, short conductors	\$250m (\$300m by end 1994)
AT&T	Nine joint ventures: optical fibre cables, switching gear, transmission equipment	\$150m (planned investment next two years)
Ericsson	Five joint ventures: PABXs, cellular systems	\$100m
Northern Telecom	Four joint ventures: PABXs, transmission lines, cellular phones	\$100m (additional planned investment \$180m next two years)
Alcatel	Five joint ventures: switching equipment, optical fibre, PABXs	\$100m
Siemens	Six joint ventures: PABXs, switching gear, transmission equipment	\$90m
Nec	Six joint ventures: short conductors, cellular phones, switching equipment	\$80m
GPT	One joint venture: PABXs	N.A.
Hitachi	Three joint ventures: switching gear, transmission equipment, short conductors	\$10m

ing of China's economic growth. Since then China's economy has recorded growth rates exceeding 13 per cent a year and investment in telecommunications has risen sharply. Indeed, the Ministry of Posts and Telecommunications, which is due to spend Yn53.6bn (\$6.23bn) on telecommunications this year, achieved its planning targets for the current five-year plan (1991-1995) by 1993, two years ahead of schedule.

Yet, for all the increase in expenditure and the fairly impressive spread of services in coastal areas and larger cities, including dramatic improvements in line quality, China's average national penetration rate (telephones per 100 per-

cent) hovers around a minuscule 2.5 per cent. This compares with rates of 60 per cent in most developed countries.

China plans to increase the number of telephone lines from the present 32m to 110m by 2000, involving expenditure of Yn500bn and including some \$70m in loans from abroad. This would provide a penetration rate of 8 per cent, still low by international standards and those of its Asian neighbours, though it would represent a big leap for China. Western telecommunications experts say the magnitude of the task can be gauged from the fact that, if China holds to its plans of installing between 10m and 11m lines a year for the rest of the century, this would be equivalent to

installing Britain's telephone network every three years.

Among China's many difficulties in bridging the gap between supply and demand is one of distribution. While the official figure for existing capacity is 30m lines, only about 17m have actually been connected, according to some western estimates. "It's one thing to install switching equipment; it's quite another to get a line to a house or a factory," says a western telecommunications expert in Beijing.

The huge technical and logistical problems involved in extending a telephone network throughout China with its 1.2bn people and thousands of cities, towns and hamlets is the main reason why powerful figures in the leadership backed the establishment of Unicom. Such a gargantuan task is simply beyond the capacity of a single organisation.

Both Mr Zhu Rongji, the senior vice-premier in charge of the economy, and Mr Zou Taofan, a vice-premier responsible for the telecommunications sector, are solidly behind the Unicom proposal.

One of the most telling arguments in favour of promoting competition was that it would vastly improve access to telephones by communities in more remote areas, and thus help to slow the widening economic and social gap between coastal regions and the hinterland. The Ministry of Railways, for example, with its extensive existing network could deliver services in far-flung areas like Yunnan in the south-west and Xinjiang in the west.

Competition, the authorities say, would also help to reduce the cost of telecommunications services which are among the most expensive in the world. Installation fees in the cities are running at about Yn5,000 and in rural areas at Yn3,000. This is three to four times the cost of a phone installation in

the UK, and perhaps as much as eight times that in the US.

While Chinese officials say they are keen to promote telecommunications competition, they are also making it clear this will not extend to allowing foreign participation in the operation of networks for the foreseeable future. Indeed Vice-Premier Zou, announcing the decision to allow a second network, stressed that China Unicom was a pilot project and that no other corporations would be authorised to operate telecommunications services. Foreigners would be restricted to supplying equipment and technical advice to the new network and possibly taking some form of equity participation at a future date.

China Unicom's plans for the rest of this century are ambitious. They include providing 12m new lines

In spite of the looming threat from Unicom, telecommunications ministry officials are seeking to put the best face on the loss of their monopoly, insisting competition is in the interests of all. But there is also no doubt they are apprehensive about the practicalities of making the new dual system work. Not least among the ministry's concerns are the technical difficulties involved in achieving an interface between parallel networks.

Unicom will be obliged to piggy-back on the existing system run by the telecommunications ministry in much the same way as the new Optus network in Australia joined to the state-owned system.

ministry sources say

regulating competition in a more free-wheeling telecommunications sector — it is both regulator and provider through subsidiaries — in the absence of a telecommunications law (one is still in the drafting stage). Officials anticipate problems over sharing scarce resources such as technical

Mr Xu Shanyan, the telecommunications ministry's chief spokesman, describes these as "unresolved issues" and will require careful study and discussion in the implementation phase.

Since Unicom will depend heavily on the telecommunications ministry in the start-up phase, officials of the new network are careful to stress their desire to avoid duplication and keep competition within limits.

Mr Wei Chen, chairman of Unicom, says the network will "engage in wide-ranging cooperation and co-development" by adhering to what he described as a policy of "five expansions". These include an expansion of co-operation with domestic and international networks "within the limits permitted by Chinese government policy".

But officials are sceptical about declarations that the new network will not restrict its activities and not compete directly with the telecommunications ministry, but in practice they will obviously compete. A representative of a telecommunications corporation.

China Unicom's plans are ambitious. Its development programme for the first three years include providing 12m new lines, which will bring the country's telephone penetration rate by 1 per cent; and acquiring a 10 per cent share of national and international trunk traffic plus 30 per cent of the mobile telephone market with more than 100 million calls.

The new network also plans to develop the manufacturing capacity of the Ministry of Electronics Industry, one of the three founding partners. This will bring the electronics ministry into direct competition with the telecommunications ministry, whose subsidiaries are heavily engaged in foreign joint ventures manufacturing telecommunications equipment, including switching gear and optical fibre cable.

Reports of a surplus in the supply of optical fibre cable due to excess manufacturing capacity should cause some concern among prospective new entrants in what is becoming a highly competitive market. But all the signs are that the world's telecommunications giants are pursuing the China market as if the question is not whether they can afford to be participants but whether they can afford not to be.

Without exception, companies such as AT&T and Motorola of the US, Alcatel of France, Northern Telecom of Canada, Siemens of Germany, Ericsson of Sweden, NEC and Fujitsu of Japan, Nokia of Finland, and GPT, the US-based supplier of the world's telecommunications network, which will vastly increase demand for all manner of equipment including switching gear, transmission lines, communication equipment and cellular phones — could hardly have come at a more advantageous moment for the world's telecommunications industry.

Mr Chisun Lai, Motorola's representative in Beijing, summed up the favourable industry view when he said of the new network: "China has done it help speed up the market development of the telecommunications industry with additional operators and networks. This is certainly positive for the industry and positive for companies involved in that industry."

"People's Republic of China Telecommunications Strategy Study, Assessment and Strategy Recommendations" World Bank, February 1993

## Like father, like son?

James Packer, Cameron O'Reilly and now Lachlan Murdoch. One by one the next generation of media tycoons are being tested out quietly in various parts of their families' Australian newspaper businesses.

When Rupert Murdoch took the helm of the struggling Adelaide News in 1963 few would have predicted that he would end up far more powerful than his late father, Sir Keith Murdoch. The same goes for Kerry Packer who inherited Consolidated Press from Sir Frank Packer. Despite being a fervent gambler, he is now Australia's richest man and far more powerful than his father.

Will James Packer, or Lachlan Murdoch, out-shine their fathers? Cameron O'Reilly, 29, who runs Tony O'Reilly's Australian Provincial Newspapers, has the least downside risk. His father is a recent entrant to the media game and has yet to make his mark. Jamie Packer, 26, has an advantage in that he is Kerry Packer's only son and heir to a fortune estimated at \$2.5m. However, the speed with which young Warwick Fairfax lost his family business shows what can happen to prodigal sons.

Princeton-educated Lachlan Murdoch, 22, who starts today as general manager of Queensland Newspapers, is not the first Murdoch offspring in the family business. Elizabeth, 26, his elder

sister, runs a couple of TV stations in the US, and another brother, James, 21, is still at Harvard. However, Lachlan has been put to work in a part of the group which has always been close to the heart of his father and grandfather, and he will be watched over by Ken Cowley, one of Rupert Murdoch's most trusted lieutenants.

Which of the three will stay the course, let alone win the race to inherit their families' growing media empires, is anybody's guess. But it will be fun to watch.

## Word perfect

Spare a thought for Alex Iru, who publishes the Guardian, Nigeria's leading newspaper. Its independent liberal stance has annoyed General Abacha's military regime and last week it was closed.

This leaves the affable Iru in an awkward spot since he doubles up as Nigeria's minister of the interior. It is not easy to resign from a military regime and there is not much point in trying to sell the Guardian as long as its presses are silent. Suggestions on a post-card, please, to Alex Iru, c/o Guardian Newspapers, Rutsum House, Lagos.

## Duty calls

Is Sir Paul Newell, the globe-trotting Lord Mayor of London, trying to set some sort of world record? After mayoral trips to



I have this recurring dream where I wait all day for the 8.15 to Euston and then my trousers fall down

Japan, South Korea, Saudi Arabia and Hungary, he is sneaking in a grand tour of the US and Canada, before planned visits to Moscow, Jordan, Kuwait and Strasbourg. If he goes on like this the City Corporation might have to invest in a corporate jet to cut down on the cost of flying him and his entourage around the world. His latest trip is no sun-seeking sojourn, however, given the 13-city, 20-day itinerary planned to promote Britain and the City and to encourage bilateral trade and investment. He enjoys basking the drum and wishes more would join in. Having finally got his knighthood, a lesser

figure might have eased up a bit so that he could enjoy entertaining at home in the Mansion House. Not so, Sir Paul. Let's hope his successor is as diligent.

## Potted shrimp

Good news for barbecue-owners. The Minneapolis Grain Exchange is planning to launch a black tiger shrimp futures contract later this year. When used in conjunction with an existing contract on white shrimp, it should now be possible to buy and sell contracts covering around 90 per cent of world's shrimps. With 300 investors playing the white shrimp contract, it seems only a matter of time before some big fish start chasing up the black tiger shrimps.

## Ba black sheep

Excitement is running high among dealers at the Frankfurt stock exchange — and not solely on account of the D-Mark's gyrations. The fuss concerns a broker who is retiring — and his would-be replacement, August Schäfer.

Schäfer is the state commissioner responsible for supervising the bourse. With the new financial supervisory laws, he has more or less regulated himself out of a job and is looking for pastures new. However, potential future colleagues reckon that the aptly named Schäfer (meaning shepherd)

knows a mile too much about them and their ways to be a suitable member of their flock. For his part, Schäfer claims his second name is discretion and insists on pressing his case.

But why is he so eager? Does he not appreciate that, given his provenance from the old school of toothless watchdogs, those bleaters on the floor will eat him alive?

## Mail chauvinist

Britain's Royal Mail is already starting to behave as if it has been privatised judging by the latest edition of its Royal Mail International Business Travel Guide.

Not only is Ireland portrayed as a more enthusiastic member of the European Union than Britain, but the guide also criticises the British government's efforts to settle the 25-year-old troubles. It notes that in the autumn of 1993, a new initiative jointly presented by the moderate nationalist SDLP and the republican Sinn Féin seemed to offer "at least the possibility of a settlement". That said, the attitude of the British government is described as "unpromising".

## Testing

What is the true reason for driving in banks? So that the cars can meet their real owners.



Networking?  
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Monday August 22 1994

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## Surge in capital spending a 'warning signal' China tightens credit to curb inflation threat

By Tony Walker in Beijing

China will clamp down on lending for capital spending, following the release of figures that showed an alarming rise in fixed investment in July compared with the same month last year.

Central bank officials have made clear that credit ceilings would be imposed in the third quarter after an easing in the past few months in anticipation of the start of enterprises for working capital.

Mr Zhou Zhengxiang, a deputy governor of the People's Bank, was quoted as saying that "banks must strictly adhere to credit ceilings in order to control lending for fixed asset investment."

Beijing has announced that it will review all new capital spending projects under the state plan, and those that "do not enjoy good prospects" will be cancelled.

The official Xinhua news agency quoted government officials as emphasising the need to "check excessive capital construction in order to avoid economic disorder".

Government attempts to fix investment by enterprises in China continue to concern over inflation, which began to climb again in June and July after falling back in previous months.

Consumer prices in China's 35 main cities rose by 2.7 per cent in July compared with the same month last year. This was the first rise since June, but

Deng's years of supreme power

A ring that sounds like profit

Page 11

was higher than May.

The authorities blamed a capital spending binge last year for inflationary pressures. A state plan, introduced in July 1993, was aimed at curbing an overheating economy and curbing investment in fixed assets.

A western economist in Beijing described July's capital spending surge as a "warning signal", while cautioning against reading too much into one month's statistics.

But senior Chinese officials, including Mr Zhu Rongji, vice-premier in charge of the economy, who have been meeting at the highest level in Beijing to review economic developments, are clearly concerned about latest figures.

Central bank officials said that among targets in the latest crackdown on unauthorised lending would be illegal interbank transactions. Non-bank financial institutions would also come under greater scrutiny.

Adding to official concern is the fact that capital spending normally grows faster in the second half of the year, with the third quarter the peak period for starting new projects.

Chinese economists attributed the jump in capital spending in July to projects launched by state enterprises whose financial position had improved.

It also reflected the fact that the government has appropriated more funds for infrastructure. It has earmarked ¥550bn (\$80bn) for capital spending in its state plan for 1994, by the end of June, ¥176bn had been spent.

## Clinton steps up pressure on Castro

By James Harding in Miami

The Clinton administration further refined its Cuba policy over the weekend, announcing a tighter trade embargo against Havana and holding out the possibility of imposing a full blockade. The tougher measures followed President Fidel Castro's Cuba follow Friday's announcement that the hundreds of Cubans fleeing to the US would be barred entry to the US and detained at the US base at Guantanamo Bay, Cuba.

With attention shifting away from the refugee problem and failing on the government's agenda to oust Castro, Mr Leon Panetta, the White House chief of staff, yesterday said imposing a blockade on Cuba was not out of the question.

"That's obviously one of the options that we would look at in the future as we see whether or not Castro begins to make some legitimate movements toward democracy," Mr Panetta said. Mr Panetta said the US was committed to fostering democracy in Cuba as well as to ending the wave of illegal emigration to Florida by flimsy boats, rafts and inner tubes.

"At the same time, we got to continue to put pressure on Castro because the problem here is not the problem with refugees, it's the problem with the Castro regime. That's what's causing this."

The statement followed a tightening of the trade embargo late on Friday night, when the administration announced a ban on cash transfers by US residents to Cubans and new restrictions on charter flights from Miami to Cuba.

Mr Newt Gingrich, the Republican House minority whip, however, yesterday accused Mr Clinton of failing to flesh out his Cuba policy. "This administration has a passion for taking one or two steps without working out what the rest of the trip is," he said, calling on Mr Clinton to look for a smooth transition to democracy in Cuba.

The change in US policy to Cuban refugees did little to deter further attempts to cross the Florida Strait. The Florida coast guard picked up a record 1,188 people on Saturday, the highest total in one day this year.

Fretting about Fidel, Page 5  
Editorial Comment, Page 11

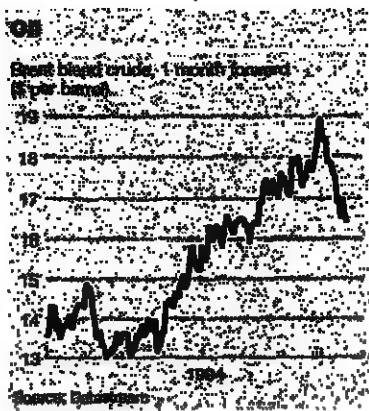
## THE LEX COLUMN

## Nigeria's crude truths

The oil market is taking a fairly sanguine view about Nigeria. The Brent crude price, which shot up to \$19 a barrel at the start of the month when worries about the oil workers' strike were at their peak, has fallen back below \$17. Traders are heartened by the fact that the strike has cut Nigerian supply by only about 20 per cent. With the political crisis in Nigeria worsening, such an analysis may look complacent. In the worst case, the ethnic rivalry now being stoked up between the Yoruba tribe from the south and the Hausas from the north could spill over into civil war. Even if this can be avoided, the negotiating positions of General Sani Abacha and Chief Moshood Abiola are so entrenched that an early resolution of the conflict is unlikely.

Nevertheless, there is hard-nosed realism in the oil market's analysis. So far the strikers have been treated relatively leniently. But so dependent is Gen Abacha's regime on oil revenues that stepped-up strike action is likely to provoke tougher measures to keep the oil flowing. And the government's ability to achieve this should not be doubted. Angola, which managed to expand oil production sharply during its civil war, is a telling parallel.

Further supply shocks in Nigeria would of course affect crude prices but a bigger determinant is likely to be what happens to world oil demand. After signs that US demand was flagging in July, the latest figures show it picking up. If the stronger economic growth in continental Europe spills over into oil demand, Brent could push up to \$19 again.



Oil prices (Brent crude) from 1993 to 1994

There is nothing wrong with National Power's global strategy per se. In fact, it is easier to see what value National Power adds to generating projects in the developing world than what PowerGen brings to its investments in North Sea gas. The snag is that the strategy will take a long time to develop and, in the meantime, National Power is generating cash at a prodigious rate. The danger is that, with so much cash coming in, management will adopt a less discriminating approach to foreign investment. Shareholders would feel more comfortable if the company followed PowerGen's recent example of buying back its own shares. National Power would still have no trouble financing worthwhile projects and should see the gap between its share price and PowerGen's narrowing.

## Pharmaceuticals

Equity markets now view pharmaceutical companies as either producers or prey. Among those most likely to make a strategic acquisition, Glaxo has barely kept pace with the UK market during the past few months. Yet Wellcome has outperformed by 45 per cent since the end of April, when Roche made its agreed bid for Syntex, fuelled by speculation that it might attract similar interest in the US, Eli Lilly and Marion Merrell Dow are among the possible targets.

Consolidation certainly looks overdue. The world's top 10 drugs companies account for less than one-third of industry sales. Such fragmentation suggests that healthcare buyers and shareholders are supporting excessive overheads. The large premium paid by Roche - and by American Home Products in its unsolicited bid for Amer-

can Cyanamid - only makes sense if cost savings can be achieved. Similar efficiencies across the industry would help protect margins at a time when drugs prices are falling.

The worry is that organisations that rely on scientific and marketing flair do not react well to rough restructuring. Neither are most drug company managements proven in the area of takeovers. The most rational solution would be a second wave of agreed mergers, like those which created SmithKline Beecham and Bristol Myers Squibb. Such combinations could deliver the same benefits as takeovers in terms of efficiency with fewer risks. The snag is that the instant gratification priced into the shares of many drug companies would have to be foregone.

## Gilts

Sometimes there is no pleasing the gilts market. Last week was packed with good news but prices ended almost unchanged. The better than expected retail price inflation figures received a small round of applause and the US interest rate increase was welcomed. The Bank of England also obliged by saying that, following the good public sector borrowing figures, there would not be a gilt auction this month. But all was drowned out by the Bundesbank's decision to hold its interest rates unchanged.

Gilts were particularly vulnerable to the ensuing disappointment because the yield spread compared with German bunds had narrowed significantly this month. It had dropped from around 180 basis points to 150, but ended the week at its recent average of 165. With volumes thin at the moment, the release reflected only a handful of trades.

The excellent outlook for UK inflation and interest rates would seem to justify a reduction in the spread, though not to the 40 basis points gap that prevailed at the end of January. But the German institutions that were prominent in selling gilts last week are probably more concerned with renewed sterling risk. Concern that German interest rates are at or near their bottom also unworried bunds and had a knock-on effect on gilts. Meanwhile, the prospect of a surge in supply of funds hung over the market. The German government has raised only a net 10 per cent of its funding requirement so far this year. The spread against bunds may have to narrow just for gilts to stand still.

## Moscow warns on latest MMM investment offering

By Christy Frelund in Moscow

The Russian government issued yesterday the dangers facing potential investors in what promises to be a "second act" of the MMM investment fund crisis.

The controversial financial pyramid scheme, which appeared to be about to collapse after a week by tax police earlier this month, has announced that it will re-open offices today and offer new "MMM tickets" for sale.

The ministry of finance, which has been fiercely criticised for failing to stop the sale of MMM shares earlier this year, issued a strong warning about the "heavily inflated" "tickets".

The government is also stepping up its campaign against similar schemes throughout the country.

The original MMM share scheme, which attracted more than 1m investors, collapsed earlier in the summer and police

warned that the fund's founder, Mr Sergei Mavromed, was an official state as stocks. Investors in the tickets "should not expect to receive any revenues".

Individual investors were warned that merely purchasing a stock did not make them shareholders. To enjoy full rights as a share owner, the ministry cautioned, a stock must be formally registered at an independent stock-exchange office.

This warning indicates that the fund's byzantine financial regulations, which have proved confusing to many sophisticated western investors, could be part of the reason why so many Russians have been seduced by the simple sales pitch of the investment funds.

As the MMM fund, described by subscribers as a "classic pyramid operation", prepared for what might be a remarkable resurrection, the government intends

sified its attack on a central Russian fund, Russki Dom Selenga, whose operations were frozen last week. At the weekend, the police seized \$150m (\$6.25m) in cash from the fund's branch in the Urals city of Ufa.

Popular rage over failing investment schemes is mounting. At the weekend, according to Moscow radio, disgruntled investors in Russki Dom Selenga - which, company officials say, has more than 1.5m participants - smashed the windows of a branch in the city of Chelabinsk.

The popularity of pyramid-style funds, which promise swift returns, presents a dilemma for the Russian government which hopes to encourage capital markets but fears a public backlash if capitalism is seen to bring impoverishment rather than prosperity. Legitimate market-based worry that the government will also turn its new financial zeal to the booming stock market.

## Criticism aimed at Mexico's 'clean' elections

Continued from Page 1

not undertake immediate armed action in case of electoral fraud and (would) support all peaceful means in the fight for democracy, liberty and justice". Previously, it warned of an end to a ceasefire with the

government if it justified the PRI's refusal to end.

Early voting appeared peaceful, although many polling stations in and around Mexico City opened late. In Mexico City, people were eligible to vote in PRI polling stations. Apart from the president, 96 senators and 400

deputies for the lower house were being elected.

In Jutepec, in the state of Morelos, citizen observers, foreign visitors, members of the opposition parties and representatives of the electoral institute which is overseeing the election watched the voting near the

main square. In view of the presence of the observers, there remained some scepticism: "At the top, they comply with the laws but below they remain the same," Mr Ruben Herrera, a 65-year-old worker waiting to vote. "Since I voted I have never been a clean election."

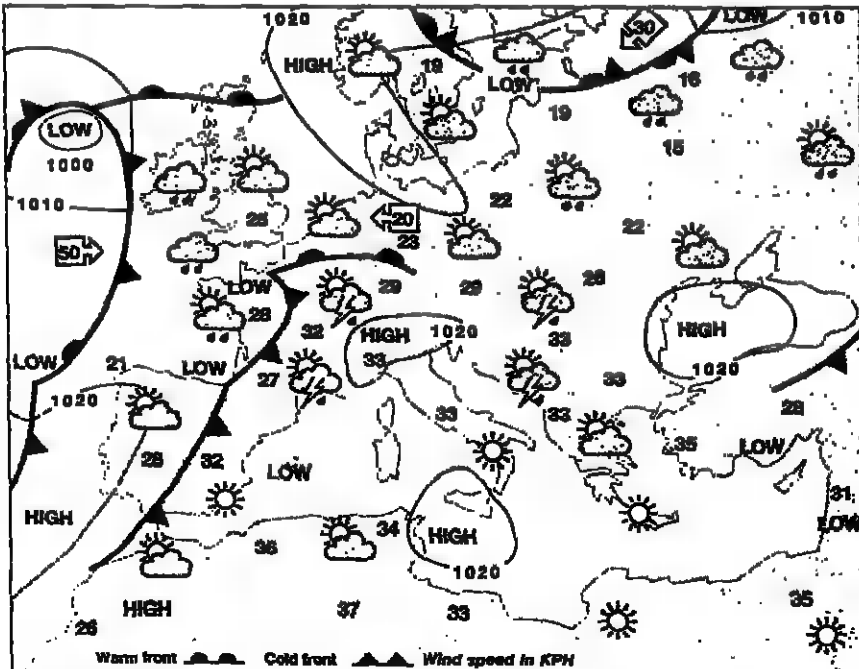
## FT WEATHER GUIDE

### Europe today

Low pressure systems from the Atlantic will introduce unsettled conditions to western parts of the British Isles, with much rain and wind. The Low Countries will become warmer with temperatures rising to 15°C and 18°C. Southern France will have tropical temperatures. Low pressure over western France will trigger thunder storms over a broad area in the south. Alpine regions will experience leading to rapidly developing thunder storms. All weather Europe will stay mainly sunny and dry. Much of northern and central Europe will be unsettled with rain, snow and relatively low temperatures.

### Five-day forecast

A low pressure system and associated cold air will lead to unsettled conditions with widespread thunder storms. High pressure between Iceland and Norway will bring more settled conditions to western Scandinavia. Southern Europe will remain sunny and warm but northern Italy will have an increasing chance of thunder storms.



### TODAY'S TEMPERATURES

City	Temp	City	Temp	City	Temp
Akrotiri	24	Algiers	24	Amsterdam	14
Athens	24	Atlanta	24	Bahia	24
Bangkok	30	Barcelona	30	Bombay	30
Buenos Aires	24	Calcutta	30	Cairo	30
Cardiff	14	Chennai	30	Colombo	30
Dakar	30	Dallas	30	Delhi	30
Dubai	30	Dublin	14	Durban	30
Edinburgh	14	Hong Kong	30	Jaipur	30
Jakarta	30	Kuala Lumpur	30	London	14
Los Angeles	24	Luxembourg	14	Lyons	14
Madrid	24	Moscow	14	Mumbai	30
Manila	30	Medan	30	Meppen	14
Mexico City	24	Miami	30	Minneapolis	14
Montreal	14	Munich	14	Nairobi	30
Nagasaki	24	Naples	14	Nassau	24
New York	24	Nice	14	Nicosia	30
Osaka	24	Paris	14	Perth	24
Prague	14	Rangoon	30	Rijeka	14
Rome	24	S. Francisco	14	Singapore	30
Stockholm	14	Strasbourg	14	Taipei	30
Tamper	14	Tangier	14	Tel Aviv	30
Toronto	14	Vancouver	14	Venice	14
Warsaw	14	Washington	14	Wellington	14
Winnipeg	14	Zurich	14		

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There's a question about the current potential of the Japanese stockmarket. Interest rates are at lows and could decline still further. And falling corporate profits are generally suppressing share prices, creating a wealth of attractive investment opportunities.

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# FINANCIAL TIMES COMPANIES & MARKETS

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Monday August 22 1994

## MARKETS THIS WEEK

**GERARD BAKER:**  
GLOBAL INVESTOR  
The torpor induced by Japan's hot summer seems to have left the stock market becalmed. Since the end of June, the Nikkei has traded in an exceptionally narrow range between 20,000 and 21,000. Share prices surged in the first half of the year, but that momentum has been lost as profit-taking has set in. Page 17

**STEPHANIE FLANDERS:**  
ECONOMICS NOTEBOOK  
Human capital investment may be everybody's favourite economic cure-all, but applying the prescription to the UK seems an increasingly thankless task. Attacked from all sides, the government's training policy is partly the victim of its longstanding ambivalence about the state's role which has yet to be resolved. Page 17

**BONDS:**  
The Bundesbank returned from its four-week summer vacation to a rise of some 40 basis points in 10-year bund yields to more than 7.2 per cent and a market teetering on the brink of a nervous breakdown at the prospect of a sudden rise in German interest rates. Page 18

**EQUITIES:**  
The Federal Reserve appears to have further clouded the outlook for equities as the summer draws to an end, while in the UK, the mood of the stock market appears likely to remain gloomy this week, surprisingly so in view of the relatively favourable news on inflation and interest rate prospects. Page 18

**EMERGING MARKETS:**  
Investors that have stuck with Chile have been rewarded by dollar returns in the first eight months of 1994 of about 25 per cent, after 50 per cent gains last year. Page 19

**CURRENCIES:**  
Traders are likely in the days ahead to test the downside for the dollar after the US currency's week showing last week. Page 19

**COMMODITIES:**  
Zimbabwe's biggest foreign investment project since independence, the US\$200m Hartley platinum joint venture, will be given the final go-ahead on Wednesday when the minister of mines formally signs the special mining lease and mining agreement in favour of the government. Page 17

**INTERNATIONAL COMPANIES:**  
Age, the Swedish industrial gas group, has reported profits after financial items up 11 per cent in the first half, to SKr785m (\$99.5m) from SKr708m. Page 18

**UK COMPANIES:**  
Servisair, Europe's largest aircraft and passenger handling company, is to come to the stock market in October valued at more than £50m (\$77m). Page 14

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## Israeli shares fall 10% on tax fears

By Julien Ozanne in Jerusalem  
Israel's stock market slid almost 10 per cent yesterday amid frantic trading by investors. A proposed new tax on share profits, at the close of trading the benchmark Mishkanim index of the top 100 blue chip companies had fallen 13.22 points, or 9.93 per cent, to 165.18. Many smaller shares on the Karam index fell 15-20 per cent. The Tel Aviv Stock Exchange suspended trading which was for a halt to normal trading if shares in any company fluctuate more than 10 per cent in a day. Trading was also extended beyond the normal closing time. Although the cabinet modified the proposal yesterday allowing investors to offset some of the tax against losses, market experts said the market was still jittery and expected the effective rate of taxation to be around 18 per cent. Mr David Rosenberg, a market analyst at the Mediterranean

Investments, said the assumption behind yesterday's trading was that the market would be counted by 10 per cent - the face value of the new tax. But he predicted further declines this week as investors expected the effective rate of tax they would have to pay. "It is true that there has been panic, heavy trading and mutual fund redemptions today but so far the effects have been at the more positive or low end of expectations," he said. "Hopefully we have seen the major

## Lac's last line of defence removed

By Bernard Simon in Toronto

Lac Minerals, the Canadian mining group which is the target of two unwelcome takeover offers, will be forced to dissolve its protection plan, or poison pill, if either of the bids is accepted by its shareholders. The Ontario Securities Commission said after two days of hearings that it will order Lac to remove the poison pill if either of the rival suitors, the Toronto-based gold producer American Barrick or Royal Oak Mines of Vancouver, acquires more than 25 per cent of Lac's shares.

Royal Oak's C\$2.4bn (US\$1.7bn) bid is due to expire tomorrow, while Barrick's C\$1.1bn offer expires on Friday. Both are conditional on acceptance by holders of two-thirds of Lac's shares.

The poison pill allows Lac's directors to issue large amounts of stock to existing shareholders at a 50 per cent discount in the event of a predator acquiring a stake of more than 25 per cent. Lac has so far tried to convince shareholders that their interests would be best served by allowing it to remain independent.

Mr Jim Pitblado, chairman, told the OSC that Lac was open to potential suitors, but that it could be two or three weeks before another bid materialised. He declined to give details of these talks.

Royal Oak and Barrick contend that Lac's directors have had enough time to find a "white knight" since Royal Oak made its first offer on July 7.

According to the two suitors, Lac's shareholders should now be allowed to decide the company's fate. Analysts give Barrick a higher chance of success than Royal Oak, despite the lower face value of its bid.

Both companies have offered a combination of cash and shares, but Barrick's offer is widely regarded as more attractive and liquid than Royal Oak, which is a much smaller company with relatively high-cost mines.

Royal Oak raised the cash component of its offer earlier this month.

The fact that Barrick has not responded is taken as a sign that Mr Peter Munk, the chairman and controlling shareholder, remains confident of his shareholders' support.

The race is one to win a prize from the boom in US mobile communications, writes Patrick Harverson

## Hearing an explosion on the grapevine

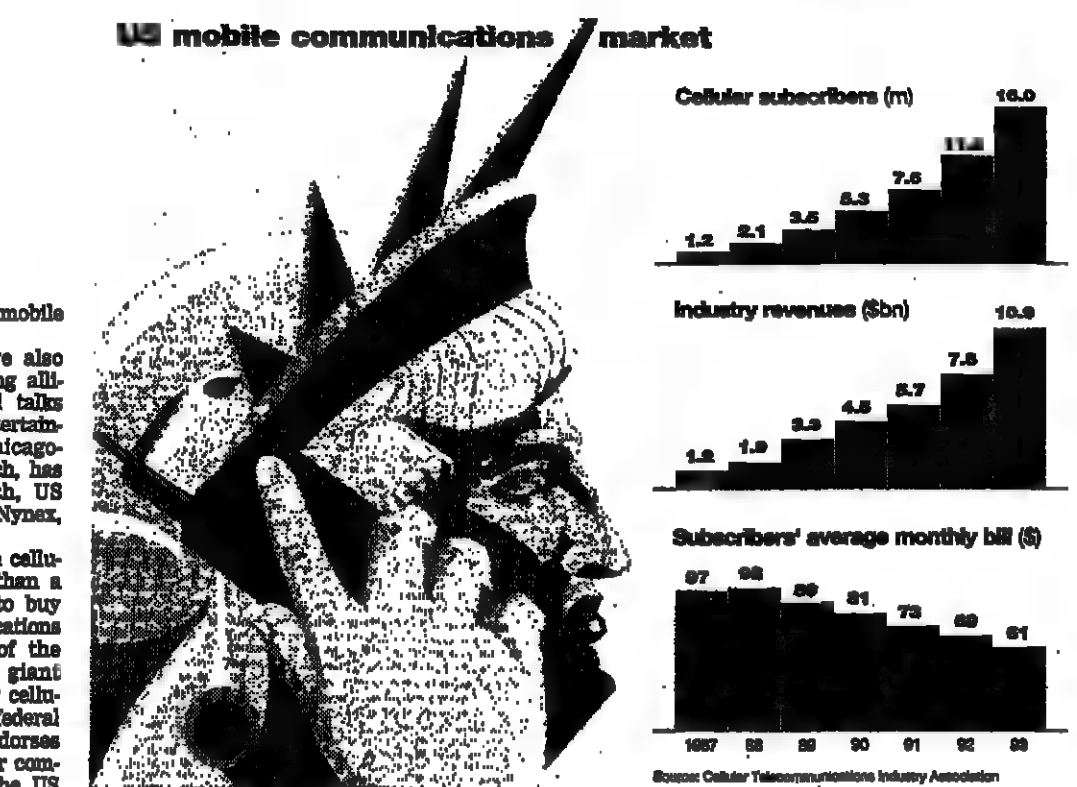
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are in use their prices outside their home region, the costs are passed on to roaming fees. Consequently, the company or consortium, which creates a national network will have the chance to provide customers with a much better service.

The prize will be a bigger slice of a rapidly growing market. By the end of last year, 18m people were subscribers to cellular phone services in the US, with 14,000 new customers signing up every day. EMCI, the Washington-based telecommunications consultancy, estimates the total will reach 20m by the end of this year. They and other analysts believe that the 18 per cent growth rate could accelerate into 1995 and 1996.

Industry consolidation is being driven by the emergence of a new system of radio telephony

called personal communications services, such as advanced paging, mobile phone, fax and data services. PCS - which relies on digital, as opposed to analogue technology - will offer a better service than is now available on cellular phones, which have been plagued by customer dissatisfaction with quality and cost.

The PCS era will begin in earnest this October when the US government auctions licences to broadband PCS networks. If the recent auction of the narrowband PCS licences - for less sophisticated services such as paging and messaging - is anything to go by, demand for the broadband licences will be brisk. The 10 narrowband licences were sold for \$617m. Analysts estimate that the much larger auction of broadband PCS licences could enrich

## This week: Company news

### HOECHST/BAYER Upbeat forecasts for recovering chemicals giants

Hoechst and Bayer, the German chemicals giants, report their half-year results this week, after BASF's figures last Thursday. Brokers expect Hoechst's pre-tax profits, due on Wednesday, to be about DM1bn (\$650m) for the half, compared with DM781m for the same period last year. The first-quarter figure was up 18 per cent.

Bayer, the last of the big three chemicals groups to post results, reports on Thursday. Estimates are for about DM1.7bn pre-tax, compared with DM1.4bn. It showed a first-quarter rise of 18 per cent. Analysts expect the two companies to be helped by good volume gains, particularly from overseas. Hoechst, which is more exposed to the cyclical plastics market, should also benefit from the start of the turnaround in petrochemicals.

Bayer has little plastics manufacturing, but should post an upturn in intermediates volumes and prices, if it repeats the experience of Rhone-Poulenc, the French group which released results this month. Both German companies will continue to suffer from the healthcare reforms announced in Europe during the past week. The German market - where the companies suffered last year - is beginning to recover, but from a low base.

Analysts will also be watching the results of the agrochemicals operations, which have suffered in the past two years from the impact of the EU's Common Agricultural Policy. The results of German chemicals groups are notoriously difficult to predict. Analysts will be looking for the sort of restructuring provisions BASF announced last week. But Bayer and Hoechst are unlikely to suffer from a hit on currencies similar to BASF, which traditionally likes to play the market.

### THORN EMI Stones and monks enliven first quarter

Analysts will be examining with interest the results from Thorn EMI tomorrow. It will be the first time the music and rental group has reported on the first quarter. Most agree it has been a relatively quiet three months to June in the music industry, with only two big releases on the Virgin and EMI labels - the Rolling Stones and the Benedictine Monks. Recent US statistics suggest overall sales growth in the music market was more than 10 per cent in the first half of the year, and positive noises from Polygram at its recent results suggest similar growth in Europe.

Analysts predict music sales growth for Thorn of around 7 per cent. Music accounts for nearly two-thirds of Thorn's profits. Operating profits of between \$45m (\$29m) and \$55m are tentatively forecast for the division, out of total overall profits of between \$67m and \$77m. A goodwill write-down on the sale of some non-core assets should bring pre-tax profits in at around \$50m-\$60m.

Thorn's rental business, which includes Rumbelows in the UK and Rent-A-Center in the US, should chip in with operating profits of around \$28m. Thorn shares, which underperformed on the market by around 8 per cent in the past three months, have recently rallied, reviving speculation over the group demerging.

### OTHER COMPANIES Citic Pacific tipped for 30% interim rise

Citic Pacific, the Hong Kong-listed arm of the Beijing foreign investment company, reports its interim results today, kicking off the week's corporate announcements.

Analysts are looking for a rise of more than 30 per cent at the interim stage, giving a net income figure of HK\$1.04m (\$135m). Earnings will be boosted by a full six-months' contribution from Hongkong Telecom, in which it has a 12 per cent stake. On Thursday it is the turn of Cheung Kong, the property developer controlled by Li Ka-shing, to release its interim results which will provide a pointer for the developers which follow.

Swedish banks: Skandinaviska Enskilda Banken and Svenska Handelsbanken will put Sweden's banking crisis further behind them tomorrow when they are expected to show a strong improvement in first-half profits. Sharply reduced loan losses will more than offset a likely drop on the securities side. Top expectations for SE Bank are profits of SKr2.2bn (\$290m) and for Handelsbanken, SKr2.4bn.

Store: The market is looking for profits of around SKr1.5m when Europe's biggest pulp and paper group reports first-half results tomorrow. Capital gains and cost-cutting will be the main reason for the upturn from last year's SKr30m profit, although the group will be starting to feel the benefit

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## COMPANIES AND FINANCE

## Servisair plans October float

By Simon Davies

Servisair, the former British & Commonwealth subsidiary and Europe's largest aircraft passenger handling company, is to come to the stock market in October valued at more than \$50m.

It currently handles about 100 aircraft a day or one aircraft every 90 seconds, and it operates out of all the UK's largest airports, with the exception of Heathrow.

The company is a wholly-owned subsidiary of Securum, the Swedish investment company, which is a subsidiary of Nordbanken.

Servisair started as an aircraft handling company in 1970, but was bought by Securum in 1985. It has since expanded its operations during the 1980s and 1990s and became part of Securum's core business.

The company's profits are slanted towards the second half, and next weekend, the bank holiday, will be the busiest of the year, when it will process more than 650,000 passengers.

The company has been upwards, and despite the impact of the recession and the Gulf war on the travel market during the 1980s, Servisair has recorded 10 years of uninterrupted profits growth.

In 1993 its operating profits were up 35 per cent to £3.6m and earnings have increased tenfold in 10 years.

The group expects about 70 per cent of its profits from passenger handling, with 25 per cent coming from cargo, and the remainder from operating

lounges and other businesses.

It handles all the UK's four largest charter airlines: Britannia, Air Tours and Air 2000, and charter flights accounted for 53 per cent of passenger revenue in 1993. It also represents international airlines from Air France (all flights except Heathrow) to Pakistan International.

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John Willis (left), managing director, with Tony McCann: expect to pick up more of airlines' non-core activities

should achieve profits growth from the impact of the recent purchase of Ogden Aviation Services, which gives the group an entry into Birmingham International Airport.

Most analysts forecast passenger growth of between 5 and 7 per cent a year up to the year 2000.

Mr Tony McCann, chairman, argued that the company was going through a "period of consolidation", which would see independent companies being picked up more of the airlines' management activities.

In the longer term, it plans to push into continental Europe, where the airport monopolies are being broken up. It recently won the handling franchise for Midlands Airport, and is optimistic that it will be able to do so in other parts of the country.

It can utilise its staff efficiently and employs up to 3,300 people during peak periods of the year.

Mr McCann expects some of the airport monopolies to be broken up. It recently won the handling franchise for Midlands Airport, and is optimistic that it will be able to do so in other parts of the country.

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The listing is sponsored by Barclays de Zoete Wedd, with Canserve as stockbroker.

## Savoy denies Forte agreement

By Paul Taylor

Savoy Hotel yesterday firmly denied a newspaper report that a secret agreement had been reached with Forte, the rival hotel group, which has waged a 13-year struggle to acquire the Savoy group, whose hotels include the Savoy, Claridge's and the Connaught.

The Savoy group said, "there is no agreement between Savoy and Forte, no secret deals have been agreed, nothing has been agreed secretly or openly and if any agreement had been reached over any proposals they would be announced in the proper manner."

The company added that no proposals have been put to the board which is not due to meet again until next month.

Late last month the Savoy hotel group announced that it had reached an agreement with Forte, which it had become aware of discussions between Forte and some of the trusts

which have a significant interest in the share capital of the Savoy.

The trusts involved in the discussions are widely thought to be those of the Wontner family, represented by Mr John Sinclair, a Savoy director.

If Forte, chaired by Mr Rocco Forte, son of the group's founder, can persuade Mr Sinclair to become its ally, it would gain effective control of Savoy.

Forte acquired 68 per cent of Savoy's share capital, but only 49 per cent of its votes, following an acrimonious takeover battle in the 1980s. Support from Mr Sinclair would give Forte a clear majority of the votes.

Under a 1986 peace agreement Forte agreed not to increase its stake in Savoy for five years and agreed to give 12 months notice if it wanted to do so. This requirement remains even after the five-year period ends in November.

## Compell coming to market with £25m tag

Compell Group, a computer systems and services group, plans to come to market next month via a share placing with institutional investors which is expected to value the group at around £25m, writes Paul Taylor.

The Welwyn Garden City-based group expects to raise about £25m of new money through the flotation which will involve the placing of shares worth about £11m. The

issue is sponsored and underwritten by Société Générale.

Compell, the former of a 100 per cent subsidiary of the ITT, is a leading independent systems integrators within its sector.

The directors will announce pre-tax profits of £2.08m for the year ended June 30, 1994, on turnover of £54.8m (£43.8m) for the year to June 30 when the flotation prospectus is published.

## Waterglade property buy

Waterglade International, the loss-making property developer, is to buy six flats with a total area of 14,000 sq ft in the City of London, writes Paul Taylor.

The EGM called for Thursday by retail shareholders in move to oust the board was cancelled on a technicality.

2480,000, together with the assumption of a mortgage of £800,000.

The EGM called for Thursday by retail shareholders in move to oust the board was cancelled on a technicality.

## Maybank shows 46% advance to M\$1.16bn

By Kieran Cooke in Kuala Lumpur

Malayan Bank, Malaysia's biggest financial institution, has reported a pre-tax profit for the year ending June 30 1994 of M\$1.16bn (\$451m), a 46 per cent increase on the previous year's figure.

The improvement puts Maybank firmly in the top echelon of Malaysia's corporate money earners. Only Telekom Malaysia, the telecommunications utility, and Tenaga Nasional, the electricity utility, both partially privatised in recent years, have achieved M\$1bn plus profit levels.

Mr Amirsham Aziz, Maybank's managing director, said the advance was the result of an expanded loan base, higher profits from foreign exchange dealings, strong growth in fee-based activity and further improvement in the quality of the bank's assets. The bank also benefited from the upsurge in the equity market.

More than 80 per cent of Maybank's profits came from operations within Malaysia. Mr Amirsham said loan growth had been particularly strong, up nearly 18 per cent compared with a 6 per cent growth in the rest of the banking industry.

Mr Amirsham said that future prospects were good, given the continued strong growth of the Malaysian economy.

He said that efforts were being made to diversify Maybank's earnings base in the face of stronger competition from other institutions. Maybank now plans to make its presence felt elsewhere in the region.

Financial analysts describe Maybank as one of Malaysia's most conservatively managed institutions. They say that while the bank has performed well in the protected domestic market, it might find profits more difficult to achieve as it exposes itself to competition overseas.

## Cemex pays \$58m for Panamanian plant

By Damien Fraser in Mexico City

Cementos Mexicanos, the Mexican cement company, has extended its presence in Latin America by buying Cementos Bayano, the Panamanian plant, for \$57.7m (\$37.2m).

The plant was sold by the Panamanian government as part of its privatisation programme. The sales reached 300,000 tonnes of cement last year, about half Panama's domestic consumption, while its production capacity is estimated at 600,000 tonnes of cement and 700,000 tonnes of clinker.

The purchase widens the global reach of the Mexican

plant, which is the fifth largest in the world with capacity of 1.5 million tonnes.

Earlier this year Cemex bought a controlling stake in Cementos Venustiano, the largest cement producer in Mexico, adding to existing operations in the south of the US, in Cuba and in Spain.

"This acquisition represents an important step in our strategy of expansion in the Latin American market and for the first time gives us production in Central America," said Mr Lorenzo Zambrano, the head of Cemex.

Cemex will acquire 95 per cent of the company. The remaining 5 per cent will go to Bayano.

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Bolton-Watson (Netherlands)	Units of Harlequin II Crocfield	Food	\$81.8m	Buying French/UK arms
Bank of Ireland (Ireland)	Great Bay Bankshares (US)	Banking	\$39.3m	Full-in buy
Colgate-Palmolive (US)	Hindustan-Ciba-Gelby (India)	Healthcare	\$27.1m	Expanding Indian arm
PH Funding (Australia)	Merrill Lynch (HQ)	Investment	\$19.4m	Taking 90% stake
BOC (UK)	Calumet (Netherlands)	Pharmaceutical equipment	\$10.8m	Presses dry development
Laws Group (UK)	Unifood (Ireland)	Food	\$3.98m	Buy from Irish milkers
Nestlé (Switzerland)	Unit of Barco Bilbao Vizcaya (Spain)	Food	n/a	Buy from Spanish bank
Sun Life (Canada)	Confederation UK (UK)	Insurance	n/a	Buy from liquidators
Premier Consolidated Oil (UK/Algeria)	Anglo-Albertan Petroleum (UK)	Oil & gas	n/a	Oil development
Philips & KPN (Netherlands)	Joint Venture /Golf Pay-Per-View (US)	Broadcasting	n/a	Pay per view TV move

## Lazard High net revenue at £1.46m

In its first full year results since its launch last August, Lazard High Income Trust turned in net revenue of £1.46m for the 11 months period to June 30 and an earnings per share value of 6.4p.

A fourth interim dividend of 1.067p makes a total for the year of 8.667p and a first interim of 0.573p is declared for the current year.

Net asset value slipped by 1.5 per cent to 94.5p over the period.

This is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

August 15, 1994

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## THE PAKISTAN FUND

(An exempted company incorporated in the Cayman Islands with limited liability)

## 1994 FINAL RESULTS

## CHAIRMAN'S STATEMENT

Over the year 1st July 1993 to 30th June 1994, the net asset value of The Pakistan Fund increased by 76.9% to US\$82.85 per share whereas the Karachi Stock Exchange Index rose 84.4% in Rupee terms and 62.4% in US dollar terms. The Fund's out-performance of the US dollar adjusted index was largely due to the reduction of the portfolio's weighting in the capital goods sector in favour of companies with more reliable earnings prospects.

During the same period, the Pakistan Rupee depreciated 12.9% against the US dollar and effective 1st July 1994, was made fully convertible on the current account. However, this has no impact on the exchange rate which will continue to be determined on a managed float basis.

Since the Pakistan People's Party-led government was formed after the October 1993 elections, the political situation has been relatively stable. As the ruling government now has control over Sindh, Punjab and North West Frontier Province - three of the four provinces, the political environment in recent years has never appeared more positive.

As the PER multiples have risen significantly over the past twelve months, the market is expected to consolidate in the near term; nevertheless, the long term outlook remains positive.

M. J. Wells  
Chairman

19th August 1994

Financial Highlights	30th June 1994	30 June 1993
Net Asset Value	US\$ 82.85	22,751,597
Net Asset Value per share	US\$ 82.85	5.03
Net Asset Value per share on a fully diluted basis	US\$ 82.85	5.03
Revenue Account		
For the year ended 30th June	1994	1993
Income	US\$	US\$
Dividend Income	645,965	250,283
Interest on deposits	3,062	2,929
	649,027	253,212
Less withholding tax	104,205	41,516
	544,822	211,696
Expenses	895,219	720,290
Net loss for the year	310,397	517,594
Loss per share	0.07	0.11

## DIVIDEND

The Board of Directors does not recommend the payment of a final dividend.

At 30th June 1994 none of the Directors had an interest, either beneficially or non-beneficially, in the share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company neither purchased, sold nor redeemed any of its own listed securities. No pre-emptive rights exist under Cayman Islands law in relation to issues of new listed securities by the Company.

A copy of the annual report and any further information is available from the National Secretary, Messrs. Messers. Messers. (A&L) Limited, 27th Floor, Alexandra House, 16-20 Charter Road, Central, Hong Kong Contact: Mr R.G. Macpherson on 2777 7777

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of The Pakistan Fund (the "Company") will be held at British American Centre, Phase 3, Dr. Roy's Drive, Grand Cayman, Cayman Islands, British West Indies on 28th October 1994 at 10:00 a.m. when the following ordinary business will be transacted:

- To receive and consider the financial statements of the Company and the reports of the Directors and the Auditors for the year ended 30th June 1994.
- To resolve that no final dividend be declared.
- To elect Messrs. Hassan and Tan as Directors.
- To appoint Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
- To transact any other business which may be properly transacted at an annual general meeting.

By order of the Board  
Messrs. Messers. (A&L) Limited  
Secretary

Date 19th August 1994

Registered office: P.O. Box 2004, British American Centre, Phase 3, Dr. Roy's Drive, Grand Cayman, Cayman Islands, British West Indies

- Proxy forms may be deposited at Messrs. Messers. (A&L) Limited, P.O. Box 2004, British American Centre, Phase 3, Dr. Roy's Drive, Grand Cayman, Cayman Islands, British West Indies, no later than the time specified above for the holding of the meeting.
- Proxies need not be members of the Company.
- No Director of the Company has a contract of service with the Company.

Oct-van der Grinten N.V.  
Venlo (the Netherlands)

## 6 1/4% Convertible Subordinated Debentures

due 15th November 1994

The undersigned, Trustee for the above-mentioned loan, announces that:

- according to article 3, para. 2 of the relevant Trust Deed, the Debtor has notified us that it intends to effect early redemption of the loan in full on 15th November 1994;
- redemption will take place at the price of 102.5% plus accrued interest up to 15th November 1994, i.e. NLG 65.50 per Debenture of NLG 1,000 nominal value;
- payment of the principal amount of the Debentures as well as the interest will be made by the paying agents as from 15th November 1994;
- as far as the 6 1/4% debentures are concerned against delivery of the mandate and the coupons, and as far as the 8% debentures are concerned against delivery of the mandate and the coupons with the coupons as from 1st December 1994;
- the Debentures will remain convertible up to and including 14th November 1994;
- the paying and conversion agents are the head offices of ABN AMRO Bank N.V. and Citibank N.A. in Amsterdam as well as Credit Lyonnais, Paris, Deutsche Bank A.G., Frankfurt am Main, Schweizerische Bankgesellschaft, Zürich, Générale de Banque S.A., Brussels and Union Bank of Switzerland (Luxembourg) in Luxembourg;
- the amount of the loan currently outstanding is NLG 4,692,000.

19th August 1994

The Trustee

NEDERLANDSCHE TRUST-MATTHIJSPAP

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In accordance with the provisions of the  
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loan of interest on the three month  
period ending 15th November 1994 has  
been fixed at 5.7125% per annum. The  
amount of the loan for the three month  
period will be £143,940 per £100,000  
loan and £1,139.56 per £100,000  
loan, on 15th November, against  
presentation of Coupon No. 10.

London Agent

15th August 1994

The Trustee

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FINANCIAL TIMES







## DIVIDEND & INTEREST PAYMENTS

Year	Percent of total population		Percent of total population	
	Under 18	65 and over	Under 18	65 and over
1970	20.0	10.0	19.6	9.6
1975	19.5	10.5	19.1	9.1
1980	19.0	11.0	18.6	8.6
1985	18.5	11.5	18.1	8.1
1990	18.0	12.0	17.6	7.6
1995	17.5	12.5	17.1	7.1
2000	17.0	13.0	16.6	6.6
2005	16.5	13.5	16.1	6.1
2010	16.0	14.0	15.6	5.6
2015	15.5	14.5	15.1	5.1
2020	15.0	15.0	14.6	4.6
2025	14.5	15.5	14.1	4.1
2030	14.0	16.0	13.6	3.6
2035	13.5	16.5	13.1	3.1
2040	13.0	17.0	12.6	2.6
2045	12.5	17.5	12.1	2.1
2050	12.0	18.0	11.6	1.6
2055	11.5	18.5	11.1	1.1
2060	11.0	19.0	10.6	0.6
2065	10.5	19.5	10.1	0.1
2070	10.0	20.0	9.6	0.0
2075	9.5	20.5	9.1	0.0
2080	9.0	21.0	8.6	0.0
2085	8.5	21.5	8.1	0.0
2090	8.0	22.0	7.6	0.0
2095	7.5	22.5	7.1	0.0
2100	7.0	23.0	6.6	0.0
2105	6.5	23.5	6.1	0.0
2110	6.0	24.0	5.6	0.0
2115	5.5	24.5	5.1	0.0
2120	5.0	25.0	4.6	0.0
2125	4.5	25.5	4.1	0.0
2130	4.0	26.0	3.6	0.0
2135	3.5	26.5	3.1	0.0
2140	3.0	27.0	2.6	0.0
2145	2.5	27.5	2.1	0.0
2150	2.0	28.0	1.6	0.0
2155	1.5	28.5	1.1	0.0
2160	1.0	29.0	0.6	0.0
2165	0.5	29.5	0.1	0.0
2170	0.0	30.0	0.0	0.0

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 Do. Cap 0.08p  
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 Jersey Elect. A 1.3p  
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 London Insurance Mkt. Inv  
 Tst. 1p  
 London Merchant Std. 3.4p  
 Merchants Tst. 2.85p  
 Neotronics Technology D.  
 Ross Grp. 0.2p  
 Security Services 4.5p C  
 Pl. 1.57p  
 TGI 1.4p  
 TR Tech 2.75p  
 Do. Units 11p  
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## Global Investor / Gerard Baker in Tokyo

# Japan in the doldrums

The torpor induced by Japan's hot summer seems to have left the market becalmed. Since the end of June, the Nikkei has traded in an exceptionally narrow range between 20,000 and 21,000.

Trading volumes, though still less than they were in the dog days of 1993-94, have dipped to 300m shares a day on average, as investors and traders alike have succumbed to the lethargy.

But the summer stasis owes more to harder economic facts than it does to the heat. The key lies in the financial laxity of domestic investors.

Share prices surged in the first half of the year, as foreign investors sensed a bargain. Japan was hovering on the brink of recovery, the yen was surging, and the rest of the world's stock markets were plunging, a treble chance that made Tokyo stocks understandably popular with foreigners.

But in the course of the summer, that momentum has been lost as profit-taking has set in. After six straight months of heavy buying, foreigners became net sellers at the start of July. What is left is the uncomfortable truth, hidden by the foreign-led surge, that Japan's domestic investors have been equity-shy.

In the first six months of 1994, while foreigners shopped

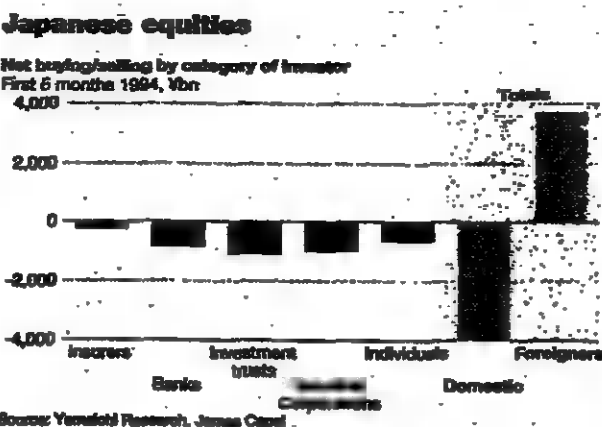
shares, Japanese corporations recorded net sales of ¥8.2 trillion of equities on the first section of the Tokyo Stock Exchange. Individuals, who have been net sellers of stocks for all but one of the past 12 months, sold a net ¥710bn worth of shares. Over the summer, the figures have changed little.

If the yen has indeed peaked, and if 1994's global bond and equity rout has been brought to an end, the prospects for a resumption of Tokyo's bull market will depend heavily now on those investors rediscovering the charms of the Japanese blue chips.

There is little evidence that this will happen soon. The main categories of investor remain very shy of a market which has burned them badly in the past few years. One broker says his domestic clients are so despondent they have no serious plans to buy equities "for the rest of the century".

This is probably overdoing it. The past two months have seen a little nibbling at the market by some of the main investors, notably banks and individuals. But the prospects for large-scale buying by the institutions is minimal. Investment trust equity weightings have been rising, but at over 65 per cent analysts think they now stand close to, or even above, their natural ceiling.

Life insurers, hit by a steep decline in their assets that has rendered most of them technically unable to meet their liabilities, are still aggressively reducing their risk exposure. Nippon Life, the country's largest shareholder, recently announced its intention to unload another ¥150bn in equities.



Total return in local currency to 18/8/94

	US	Japan	Germany	France	Italy
Week	0.08	0.04	0.11	0.10	0.10
Month	0.35	0.27	0.54	0.54	0.51
Year	-0.22	-1.14	-1.88	-1.97	-1.81
5-year	2.41	2.41	2.41	2.41	2.41
10-year	0.17	0.17	0.17	0.17	0.17
20-year	-0.22	-1.81	-1.88	-1.97	-1.81
30-year	-3.24	1.47	0.23	0.23	-4.73
Equities	0.9	0.0	0.0	-1.2	-4.0
Bonds	2.1	0.8	2.4	0.5	-6.9
Week	4.3	0.6	10.5	0.7	2.4
Month	14.7	1.7	32.4	1.7	7.9
Year	14.7	1.7	32.4	1.7	7.9
5-year	14.7	1.7	32.4	1.7	7.9
10-year	14.7	1.7	32.4	1.7	7.9
20-year	14.7	1.7	32.4	1.7	7.9
30-year	14.7	1.7	32.4	1.7	7.9

Source: Cash & Bonds - Lehman Brothers, The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

interest rates of less than 3 per cent, institutional cash weightings rose from 25 per cent to 32 per cent early this year, falling only slightly in the spring. If the next move in official interest rates is upwards, the prospect of a significant stock back to equities will remain slim.

The caution among the Japanese is understandable. The market's recovery in the first half of the year heavily counted a big corporate earnings recovery in the current fiscal year, after four consecutive annual falls. In the spring, forecasters were expecting a pre-tax profit increase of about 20 per cent this year. A stubbornly large gap has already forced most of them to revise that to less than 10 per cent. The preternaturally cautious Japanese forecasters

now expecting profit increases in single figures in percentage terms.

These poor profits present a stark contrast to the sharply higher prospective of the Japanese, who are back to historic highs, as are earnings/yield ratios.

**Japan Telecom**

Lack of institutional demand is unlikely to be a problem when Japan Telecom, one of the country's three long-distance operators, goes to market next month.

Only two other large telecommunications companies, NTT and DDI, are currently listed. Both have outperformed the market impressively this year. JT's entry into this limited market plus its status as "multimedia" is likely to ensure a good reception.

Moreover, just 10 per cent, or 100m shares in the company, are being offered to investors. The rest will be sold in a direct offering immediately afterwards.

The share price is expected to be the first initial public offering ever to include a separate international tranche. 5,000 of the

will be offered to international investors. Bids must be received by 10.00 a.m. on Friday.

Investors are limited to five shares each, a hangover from the Recruit shares-for-favours political scandal of the late 1980s. At a minimum bid price of ¥2.41m, the "five share rule" is a little restrictive, so activity in the secondary market is likely to be brisk.

But longer-term prospects are more doubtful. Though the company has the particular advantage of its information super-highway - it was originally the telecommunications arm of Japan Railways, and JT still owns 50 per cent of the long-distance field in the country - competition in the long-distance field is growing. In addition to JT, DDI, and Teletel Japan are fast-growing operators.

Earnings have been under pressure in the past year as competition has forced price cuts. The company already lags behind DDI in the cellular phone business, and as yet no one quite seems to know what is going to send along its much-vaunted fibre-optic cables.

Stronger competition in the mobile market is likely to squeeze JT's profit margins. Not that that will worry those lucky enough to win a share in the JT lottery this week.

Human capital investment may be every body's favourite economic cure-all, but applying the prescription to the UK seems an increasingly thankless task. Attacked from all sides, the government's training policy is partly the victim of a longstanding ambivalence about the state's role which has yet to be resolved.

Mr Michael Portillo, the new UK employment minister, was widely criticised last week for proposing to have the £4bn his department spends on training. Yet the two central ingredients of training policy hardly received ringing endorsements in the weeks that followed.

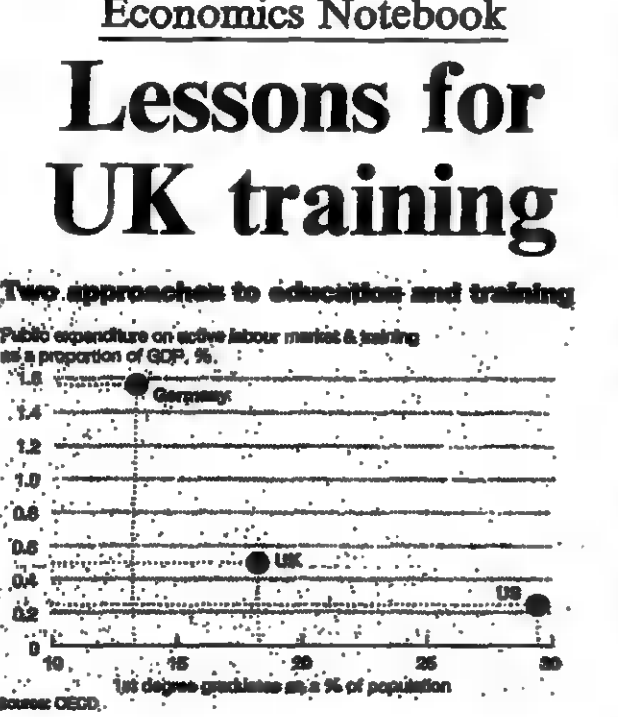
The Training and Enterprise Councils, established in 1990 to implement much of the government's training programme, are ill-managed squanders of public funds, according to an Unemployment Unit study of London Tecs. And as for the much-favoured system of national vocational qualifications, an article published in the Institute's Quarterly Review found them an "inappropriate" and "ineffective" response to the UK's training problems.

Could Mr Portillo be right in suggesting the government effectively cede that it can do little to improve training?

At the Detroit Jobs Conference in March, his predecessor at the Department of Employment joined his G7 colleagues in signing a statement favouring efforts to equip the workforce with the right skills to compete for jobs.

All the participants admitted that they had difficult choices ahead in deciding how best to reform their approach. But the difficulty facing Mr Portillo is that the theory guiding the UK approach has always been, especially muddled.

Of the philosophies of state intervention in training represented in Detroit, the German



and American varieties seem especially relevant to the UK's current plight.

Essentially, the US forgot about "training" and went for an education-based strategy to invest in human capital. No US administration has ever tried to build a "system" of government involvement in individuals' or companies' employment decisions. Heavily subsidised loans allowed a large segment of the population to go to college.

The rest was up to that familiar US formula of individual, and corporate, enterprise. In Germany, government training policies were no mere educational matter, but built on an active system of labour market involvement by the state. Young people receive general vocational degrees than in the US, but many more pupils stay on to receive narrower vocational training.

Unions, central and local government, and employers have traditionally worked together to determine

government appears to be aiming at just such a blend: boosting the number of graduates while introducing "modern apprenticeships" and NVQs.

Changing established habits, however ill-defined, will be a long process. Mr Portillo should certainly draw this conclusion from experiences elsewhere if he does not know it already. But the American and German experiences could hold deeper lessons for the strategy as a whole.

The cautionary tale from the US is social. Graduates earn hefty wage premiums in later life, but an economic and social chasm has developed between graduates and unskilled "high school drop-outs", whose real wages have fallen steadily over the past 20 years.

Recent German experience hints at a rather different lesson: letting nearly everyone get some kind of qualification does few favours to those who are taught to work in a highly specific, possibly declining, line of work.

Britain's mixed approach may attempt to avoid these pitfalls but the authors of the National Institute study find little evidence to suggest that the "third way" promises to be a fruitful one.

Explicit and implicit education expenditures remain skewed towards university, and pre-university, students. At the same time, in the building trade, at least, they find that the 16-18 age-olds not queuing for college places are acquiring NVQs which are too narrow to permit the flexibility or career development in later years which the economy and technology increasingly demand.

Eclecticism, in other words, may be delivering the flaws of both systems and the benefits of neither.

**Shifting Foundations: the Impact of NVQs on Youth Training for the Building Trades.** *Steedman, H. and J. NISSE, Aug 1994.*

Stephanie Finders

## Go-ahead for platinum mine

Malawi's biggest foreign investment project since independence, the US\$200m Hartley platinum mine, will be given the final go-ahead on Wednesday when the minister of mines formally signs the mining lease and mining agreement on behalf of the government.

Two Australian groups, Broken Hill Proprietary and Delta Gold, are behind the project to dig the biggest platinum mine in the western world outside South Africa, capable of producing 150,000 troy ounces a year.

Mr Robert Mugabe, Zimbabwe's president, is expected to turn the first turf at the mine on September 9.

Elsewhere, the International Natural Rubber Organisation is holding a meeting today at its Kuala Lumpur headquarters to review the buffer stock operations with which it tries to stabilise rubber prices within a pre-determined range. The review is mandatory under the rules of the International Natural Rubber Agreement following the sale of 100,000 tonnes of stockpiled rubber in an attempt to damp down rising prices.

Tomorrow, also in Kuala Lumpur, the Association of Natural Rubber Producing Countries will meet to decide on its response to any action approved at today's session. ANRPC members have been unhappy over the refusal of India's consuming country members to consider a rise in the India target range in the light of the market's recent strength and have threatened to set up their own price support system.

Today also sees the publication of aluminium production figures for July covering members of the International Primary Aluminium Institute. This will give a further indication of progress with the pulp-cutting programme reached by leading producing countries in January.

On Thursday the International Wheat Council is to publish its monthly Market Report, giving its latest assessment of world wheat production and consumption prospects for wheat and coarse grains.

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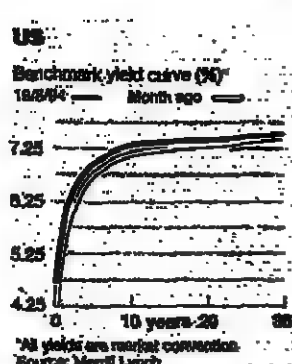
June 1994

FT-ACTUARIES WORLD INDICES																				
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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of times	FRIDAY AUGUST 19 1994										THURSDAY AUGUST 18 1994					DOLLAR INDEX				
	US Dollar Index	Point	Index	Point	Index	Point	Index	Point	Index	Point	Index	Point	Index	Point	Index	Point	Index			
	31/12/93	31/12/93	31/12/93	31/12/93	31/12/93	31/12/93	31/12/93	31/12/93	31/12/93	31/12/93	31/12/93	31/12/93	31/12/93	31/12/93	31/12/93	31/12/93	31/12/93			
Australia (68)	174.13	4.3	108.76	108.40	108.38	158.78	-4.1	3.51	173.29	118.13	108.77	140.81	157.47	108.15	139.34	1.18				
Austria (17)	163.81	4.8	105.58	105.54	105.13	156.06	-		162.84	105.54	105.17	140.81	157.47	108.15	139.34	1.18				
Belgium (27)	175.85	6.1	108.76	108.40	106.17	127.84	-5.1	4.00	175.81	108.76	108.17	141.19	138.20	170.76	109.34	132.50				
Canada (104)	124.85	0.5	124.15	124.15	124.15	124.15	-		124.15	124.15	124.15	124.15	124.15	124.15	124.15	124.15				
Denmark (33)	204.35	0.9	204.35	204.35	211.57	213.22	-0.4	1.36	204.35	204.35	204.35	211.57	213.22	204.35	211.57	213.22				
Finland (24)	168.08	37.2	168.12	168.15	135.25	178.89	19.0		168.12	168.15	135.25	178.89	19.0		104.28	236.50				
France (67)	176.08	0.1	168.02	109.61	140.94	145.93	-10.5	5.02	176.08	168.02	110.11	141.19	145.93	145.93	145.93	145.93				
Germany (59)	147.75	6.5	141.49	117.47	113.79	113.79	-		141.49	117.47	113.79	113.79	113.79	113.79	113.79	113.79				
Hong Kong (59)	383.58	-21.8	383.58	383.58	383.58	383.58	-		383.58	383.58	383.58	383.58	383.58	383.58	383.58	383.58				
Ireland (14)	108.01	6.8	108.02	123.28	166.50	182.83	-1.3	2.30	108.01	108.02	123.28	166.50	182.83	166.50	208.33	51.54	11.11			
Italy (59)	20.49	17.4	77.08	101.00	84.49	84.42	7.7	1.81	77.07	101.00	84.49	84.42	7.7	1.81	97.78	57.88				
Japan (68)	166.86	20.1	159.00	103.74	153.74	153.74	-		166.86	159.00	103.74	153.74	153.74	153.74	153.74	153.74				
Malaysia (37)	500.39	-0.8	500.39	500.39	500.39	500.39	-		500.39	500.39	500.39	500.39	500.39	500.39	500.39	500.39				
Mexico (18)	227.81	-4.8	227.81	1417.94	1421.80	1421.80	-	1.50	227.81	1417.94	1421.80	1421.80	1421.80	1421.80	1421.80	1421.80				
Netherlands (27)	214.04	0.3	204.87	193.28	171.32	194.88	-4.3	3.57	214.04	204.87	193.28	171.32	194.88	194.88	214.04	178.47				
New Zealand (14)	70.94	4.8	67.84	122.05	122.05	122.05	-		67.84	122.05	122.05	122.05	122.05	122.05	122.05	122.05				
Norway (23)	204.35	-0.7	204.35	204.35	204.35	204.35	-		204.35	204.35	204.35	204.35	204.35	204.35	204.35	204.35				
South Africa (99)	215.28	0.8	204.35	204.35	204.35	204.35	-		215.28	204.35	204.35	204.35	204.35	204.35	204.35	204.35				
Spain (42)	182.77	1.5	182.77	182.77	182.77	182.77	-		182.77	182.77	182.77	182.77	182.77	182.77	182.77	182.77				
Sweden (38)	204.35	0.9	204.35	204.35	204.35	204.35	-		204.35	204.35	204.35	204.35	204.35	204.35	204.35	204.35				
Switzerland (47)	182.77	1.5	182.77	182.77	182.77	182.77	-		182.77	182.77	182.77	182.77	182.77	182.77	182.77	182.77				
United Kingdom (204)	201.68	-1.8	182.77	182.77	182.77	182.77	-		201.68	182.77	182.77	182.77	182.77	182.77	182.77	182.77				
USA (519)	182.42	-0.2	182.42	117.91	151.81	151.81	-0.3	2.84	182.42	117.91	151.81	151.81	151.81	151.81	151.81	151.81				
EUROPE (718)	174.00	3.8	108.76	108.76	108.76	155.06	-6.1	2.80	173.99	108.76	108.76	108.76	155.06	155.06	155.06	155.06				
North America (116)	214.67	13.8	214.67	214.67	214.67	214.67	-		214.67	214.67	214.67	214.67	214.67	214.67	214.67	214.67				
Pacific Basin (748)	174.70	12.7	167.29	167.29	167.29	167.29	-		174.70	167.29	167.29	167.29	167.29	167.29	167.29	167.29				
Europe-East (428)	165.71	0.4	177.84	148.85	148.85	148.85	-	2.80	165.71	177.84	148.85	148.85	148.85	148.85	148.85	148.85				
Europe West, UK (514)	155.40	6.2	143.01	167.33	167.33	167.33	-		155.40	143.01	167.33	167.33	167.33	167.33	167.33	167.33				
Europe East, Russia (279)	204.35	0.9	204.35	204.35	204.35	204.35	-		204.35	204.35	204.35	204.35	204.35	204.35	204.35	204.35				
World Ex. US (1647)	170.03	11.9	170.03	170.03	170.03	170.03	-		170.03	170.03	170.03	170.03	170.03	170.03	170.03	170.03				
World Ex. US (1852)	177.29	0.2	177.29	177.29	177.29	177.29	-		177.29	177.29	177.29	177.29	177.29	177.29	177.29	177.29				
World Ex. So. Afr. (2107)	178.57	0.2	178.57	178.57	178.57	178.57	-		178.57	178.57	178.57	178.57	178.57	178.57	178.57	178.57				
World Ex. Japan (6897)	168.47	0.4	168.47	168.47	168.47	168.47	-		168.47	168.47	168.47	168.47	168.47	168.47	168.47	168.47				
The World Index (2169)	178.44	0.4	171.84	117.75	117.75	117.75	-1.1	2.22	178.38	171.84	117.75	117.75	117.75	117.75	117.75	117.75				
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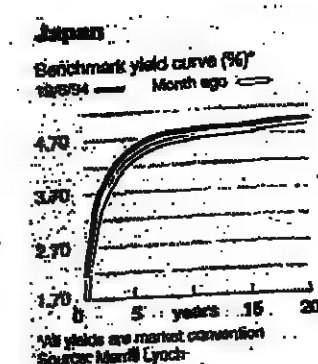
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Christopher Barker



**TOKYO**

Emiko Terazono



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	July	Aug.
Open	1.50	1.29
High	1.50	1.50
Low	1.37	1.37
Close	1.47	1.38
Settle	1.46	1.34

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1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100

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